



Creating shared value in Banking

Case Savings Bank Group

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<p>Abstract</p> <p>The last financial crises pushed banks and the society further apart. It effected customers' views and trust on banks, and increased suspicion. Finnish banking survived the crises quite well but it influenced in anyhow. Due to the financial crises, the regulations and supervision in the sector has increased. Demand for ethical aspects has also increased.</p> <p>Creating shared value (CSV) creation could be the answer for bringing banks and society closer. It concentrates on creating economic value in a way that also creates value for society by addressing its needs and challenges. SCV needs to be utilized to the strategy of a bank. Research context was a small Finnish bank and it was conducted from management's point of view. Research was a qualitative research and done as an intensive case study. Theoretical framework was based on stakeholder theory, creating shared value and different aspects of strategy. Three managers from case banks were interviewed in addition to secondary data.</p> <p>Research showed that stakeholders had a significant role in CSV. Megatrends were used in three different dimensions in the strategy. Yet they were not fully exploited. The research results show that the case company was concentrating mainly on furthering customer prosperity. Two other ways to CSV, financing the growth of regional economies and financing solution to global challenges, could be utilized in the strategy to some extent. Positioning in the markets were emphasized in all ways to CSV. Thus, it is vital to discover the most suitable way(s) to CSV and advance with those. The main limitations in the research were access to data and that only one case was studied. The subjectivity of the researcher was a limitations too. Studying CSV from other viewpoints and measuring the profit and impact are seen as suggestions for future research.</p>		
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<p>Tiivistelmä</p> <p>Viimeisin finanssikriisi työnsi pankkeja ja yhteiskuntaa kauemmas toisistaan. Se vaikutti asiakkaiden näkemyksiin ja heidän luottamukseensa pankkeja kohtaan. Suomen pankkisektori selvisi kriisistä hyvin, vaikkakin kriisi vaikutti myös siihen. Kriisin jälkeen pankkien sääntelyn ja valvonnan määrä on kasvanut todella paljon. Myöskin vaatimukset pankkien eettisyyden lisäämiseen ovat kasvaneet.</p> <p>Jaetun arvon malli tarjoaa mahdollisuuden tuoda pankkeja ja yhteiskuntaa lähemmäs toisiaan. Jaetun arvon mallin ideana on tuottaa taloudellista hyvää tavalla, joka tuottaa arvoa myös ympäröivään yhteiskuntaan kohtaamalla sen haasteet ja tarpeet. Jaetun arvon mallia tulisi hyödyntää strategiassa. Tutkimuksen konteksti oli pieni suomalainen pankki ja tutkimus toteutettiin johdon näkökulmasta. Tutkimus oli kvalitatiivinen tutkimus, joka toteutettiin intensiivisenä tapaustutkimuksena. Teoreettinen viitekehys pohjautui sidosryhmäteoriaan, jaetun arvon malliin ja strategiien eri puoliin. Kolmea johtoryhmän jäsentä tapauspankeista haastateltiin toissijaisen datan lisäksi.</p> <p>Tutkimus osoitti, että sidosryhmien rooli on merkittävä. Megatrendejä hyödynnettiin strategiassa kolmella tasolla, mutta näitä ei kuitenkaan oltu hyödynnetty jaetun arvon mallissa. Tapauspankki keskittyi pääosin asiakkaiden varallisuuden edistämiseen. Kahta muuta tapaa tuottaa jaettua arvoa; paikallisen talouden rahoittaminen ja rahoitusratkaisut globaaleihin haasteisiin, voitaisiin hyödyntää strategiassa tietyllä laajuudelta.</p> <p>Johtopäätöksenä, pankin tulee löytää itselle sopivin tapa edistää jaetun arvon mallia. Tutkimuksen rajoitteina olivat vaikeus päästä käsiksi dataan sekä se, että vain yksi tapaus tutkittiin. Myös tutkijan subjektiivisuus rajoittivat tutkimusta. Tulevaisuudessa aihetta voisi tutkia toisista näkökulmista sekä mitata tuottojen ja vaikutusten suhdetta.</p>		
<p>Avainsanat (asiasanat)</p> <p>strategia, sidosryhmäteoria, jaetun arvon mallia, suomalainen pankki</p>		
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1 Introduction

The latest financial crisis has affected the banking sector all over the world. It has driven banks and society further apart. Many banks have been concentrating on short-term return optimization, which benefits only a small elite group. This has led to a growing suspicion from the customers who are finding new providers for financing services. The banking sector needs to set a new direction by recognizing that their business and the society, where they operate, are closely connected. This research concentrates on finding ways to bring the banking sector and society closer to each other in a way that would benefit both.

1.1 Banking sector

The banking sector all over the world is highly regulated and the number of regulations has increased greatly during the past few years. A cause for this is the last financial crisis which began in the US and spread all over the world. The financial crisis, which is also known as the subprime crisis, started in the late 1990s and early 2000s when the Federal Reserve (FED) dropped the interest rates a few times. The rates stayed low for an extended period of time. Due to low interest rates, mortgage payments were cheap, and this encouraged people to buy and build houses. This caused an increased demand for houses, due to which house prices rose. Many also refinanced their mortgages due to the low interest rates. (Vaidotas & Aldona 2014, 88) Banks took higher risks with the mortgages as they granted them easier to people with lower incomes. The banks had a great trust in the government to bail them out if anything should happen. This increased the banks' willingness to take riskier projects. (Skowron & Kirstensen 2012, 483)

Rather soon, deposit banks began to sell their risky mortgages to investment banks. The mortgages were bundled by the investment banks, and the highest yielding papers were the subprime mortgages. These derivatives were an unregulated instrument. As the rates were low, asset managers could not generate a proper profit from the municipal bonds or treasuries. Thus, they sought higher profits from

mortgage-backed securities. These sold very well as they received the highest credit ratings from the big rating agencies. In 2006, the housing prices began to decline, and the FED raised the interest rates for the first time. This led to a situation where many struggled with their mortgage payments. In the spring of 2007 many mortgage banks had problems and many falls. This also affected the investment banks, and many of them struggled with their securities. This led to a situation where many investing banks reported on great amounts of bad debt in the beginning of 2008. The situation escalated when one of the biggest investment banks, Lehman Brothers, went to a restructuring program in the autumn of 2008. Soon the crisis spread all over the world, and many countries needed to support their banks as they were too big to fall. (Eurooppatiedotus 2012) Many countries were afraid that the crisis would spread and become deeper. The economy in many countries went to recession, and the amount of bad debt increased. (Vesala 2012, 13,) Many banks tightened their credit assessments and became more careful with granting loans. Due to this, many companies were forced to postpone their investments. All these issues reflected to the national economies quite quickly. (Eurooppatiedotus 2012) Even though the crisis began in the USA, it affected the whole banking sector.

It is said that the whole of capitalism is in a crisis. Thus, criticism has been mainly targeted at the banking sector. Many have questioned the ways in which banks have been generating their profits and how they have divided them. (Global Alliance for Banking on Values 2012, 1) Many banks have struggled with fund-raising, and many have feared that the volatility in the stock market would increase again. Credit risks have increased as well as funding expenses after the financial crisis. However, many Finnish banks have been able to keep a good solvency level even after the financial crisis. (Vesala 2012, 20) The financial crisis also had an effect on the customers of the banks. It raised their suspicions towards the banks and their solvency. It also made them question the banks' risk management capabilities. All this has pushed society and the banking sector further apart. The banks have been concentrating on short-term profits and used fee structures which are not transparent. For these reasons the banking sector is nowadays more complex and restricted. (Bockstette. et. al. 2015, 5-6)

Banks need to find a new path and connections back to society. They cannot survive without their customers and their long-term prosperity. The banks also need a healthy environment and community to operate. Thus, they need to concentrate on financing the consumer, social and environmental solutions that benefits the society while enabling their growth simultaneously. (ibid. 5) A concept which was introduced by Michael Porter and Mark Kramer in the Harvard Business Review in 2011 enables this to happen. The concept is called creating shared value. The idea is that a business should create economic value by creating societal value. Business life, governments, non-governmental organizations and education can be connected through a shared value of reaching common goals. (Porter & Kramer 2011, 66-67) In order for a shared value to work properly, it should be integrated to a business's core – strategy, processes, people, and the whole culture of the business. In this way it can deliver triple bottom line returns. (Moore 2014, 4)

The Finnish banking sector is a complex system which consists of different operators. The bank of Finland operates as the central bank of Finland and provides many services for the Finnish banks. Thus, it is bank for the banks. It also assists the European Central Bank with the monetary policy and one of its main objectives is securing price stability. The European Central Bank and the European Union set their own regulations for the Finnish banks. (Bank of Finland 2016a) There are also different authorities for supervision. The Financial Supervisory Authority [Finanssivalvonta] oversees Finland's financial and insurance sector. This includes banks, insurance- and pension companies, investment firms and the Helsinki Stock Exchange. The Financial Supervisory Authority operates in co-operation with the Bank of Finland. (Finanssivalvonta 2015) The Finnish banking sector consists of domestic deposit banks, investment banks and foreign credit institutions' branches and subsidiaries. In 2014 there were altogether 262 banks operating in Finland. The Act on Credit Institutions is the legislation which administrates the banking sector in Finland. Banks that take deposits are members of the Deposit Guarantee Fund which compensates for the customers' deposits if a bank becomes insolvent. (Finance Finland 2016)

The present study was conducted from the Savings Bank Group's [Säästöpankkiryhmä] point of view. The main business idea of Saving Banks is to advance savings and the financial well-being of their customers. They aim at long-term customer relationships by providing their customers unique services and solutions. The group consists of the Saving Banks Amalgamation and other institutions and companies which the Savings Banks own. (See Figure 1) (Savings Banks Group 2016a) Saving Banks are local deposit banks which concentrate on low risk retail banking. Thus, they focus on daily business, saving and investments as well as lending services. Altogether there are 23 separate Saving Banks in Finland, and the Savings Banks Union Coop takes care of the day-to-day governance of the central institution. (Savings Banks Group 2016b)

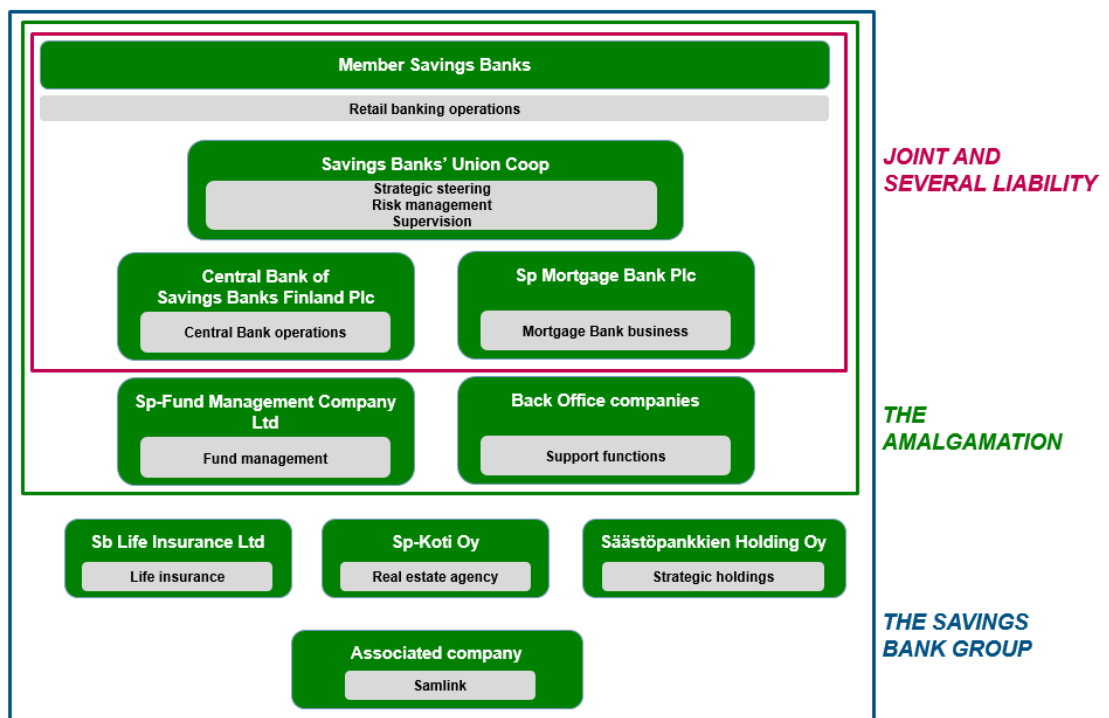


Figure 1 Savings Banks Groups' structure (Saving Banks Group 2016c)

1.2 Motivation for the research

The banking sector has been seen as a responsible sector due to the fact that it is one of the most regulated industries. Even though the banking sector in Finland is in rather a good shape, it cannot ignore the global problems and the problems in the

surrounding society. The financial crisis has created a great opportunity for banks to participate more in societal issues. The banks have had an opportunity to regain the trust of the customers and investors, and gain profit at the same time. Demand for banks that consider ethical issues in addition to the economic ones has increased all the time. The capital of societally responsible banks grew by 78% from 2007 to 2010. This was a significant increase especially during the financial crisis. The operations of societally responsible banks were also profitable when the other banks struggled. (Suni 2012) This proves that there is a growing market for banks that consider societal issues and integrate them into their core business.

Even though there is a need for banks that consider societal issues, the law and regulations do not follow the need. Big banks, which still have influence on legislation, slows down the process. Yet, many investors and savers are moving their moneys to investments that aim at promoting the social good. These banks exist mainly in the UK as well as the other Nordic countries except Finland. (Suni 2012) The shift, which has been seen in the other Nordic countries as well as some other countries, is significant. It proves that customers are conscious and they require a change in the banking sector. As the laws and regulation will change slowly, the change needs to happen inside the banks as well. They need to realize that they are able to gain new market areas and profits by attending to the society more.

The Finnish banking sector often participates in society through different types of corporate social responsibility (CSR) programs. However, the timing for the Finnish banks to step in and show an example would be ideal. Integrating ethical concerns to the core of the business would gain benefits for both society and business. Naturally, laws and regulations, as well as the societal needs vary from country to country, and these issues should be addressed. Thus, research can be helpful to every bank to some extent. Yet, the context, structure and size of the bank must be taken into account. Research aims at providing a new way of banking. It aims at studying how creating shared value can be integrated to the strategy in a smaller national bank. As the financial situation is difficult in Finland at the moment, creating shared value

provides a great opportunity to gain new benefits and profits while helping the society. As the Finnish banking sector is also quite small, it is interesting to see how creating shared value can be utilized in a smaller context by a smaller national bank.

I also personally find the topic very interesting. Of course, as a customer of a bank, I wish to know that my bank chooses a responsible way to operate and attends to the needs of the community where it operates. I would also like to see how the managers see ethical business and whether they are ready to make changes to their actions.

1.3 Research questions and research approach

Creating shared value seems to be a great solution for the imbalance between the banking sector and society. Shared value creation should be integrated to the core of the company. This means that it should be a part of the strategy which guides the daily operations. When shared value creation is a part of the strategy, executives and managers have to commit to it in order for it to work. This study approached the issue from the bank's point of view and more specifically from management's point of view.

Previous studies on creating shared value in general as well as creating shared value on banking have mainly concentrated on big multinational companies and banks. Therefore, a smaller Finnish banking group were chosen as research context. Many Finnish banks approach responsibility through donations and sponsoring. This research concentrated on studying how well creating shared value and its applicability had been integrated into the strategies of the Finnish banks. Especially, the interest was in how to take it further. The research question of the thesis was as follows:

How can creating shared value be better utilized in the strategies of the Finnish banking sector?

The research question was answered by using the theoretical background of creating shared value, stakeholder theory and strategy. The study was implemented as a case study. The strategy of the case company was studied carefully by using secondary sources. In addition, interviews were conducted with the managers of the case bank in order to improve and deepen the understanding of their strategies. These results were combined to the theory.

The objective of the research was to define ways for banks to integrate creating shared value to their strategy. The study aimed at providing ideas on how to utilize creating shared value in the strategy in order to reach new business potential while increasing profitability at the same time. This was done by focusing on creating shared value and the stakeholder theory. Different aspects of strategy were combined to these in order to be able to find proper ways to integrate creating shared value to the core of the company. The aim of the research was also to discover whether all three ways to create shared value could be integrated to the strategy or whether the case bank should choose the one(s) to use. Previous studies on creating shared value have focused on big multinational companies. As the context in this study was a small national bank, it was also hoped that it would provide insights into whether the same principles would apply in this case. The study aimed at providing new viewpoints for the executives and managers their strategy creation.

1.4 Structure of the thesis

The thesis begins with the introduction chapter, which describes the background for the thesis as well as the research problem and the objectives. The second chapter explains the theoretical background of the thesis. First, it defines strategy and how to formulate it. After this chapter discusses on different ethical theories including the creating shared value. The second chapter ends with the theoretical framework. The third chapter describes the methodology used in the research. It also includes the implementation of the stud, and the assessment of the validity. The fourth chapter

explains the results with the help of the theoretical framework, and outlines the practices on how to apply shared value. The fifth chapter concludes the thesis and summarizes the findings. (See Figure 2)

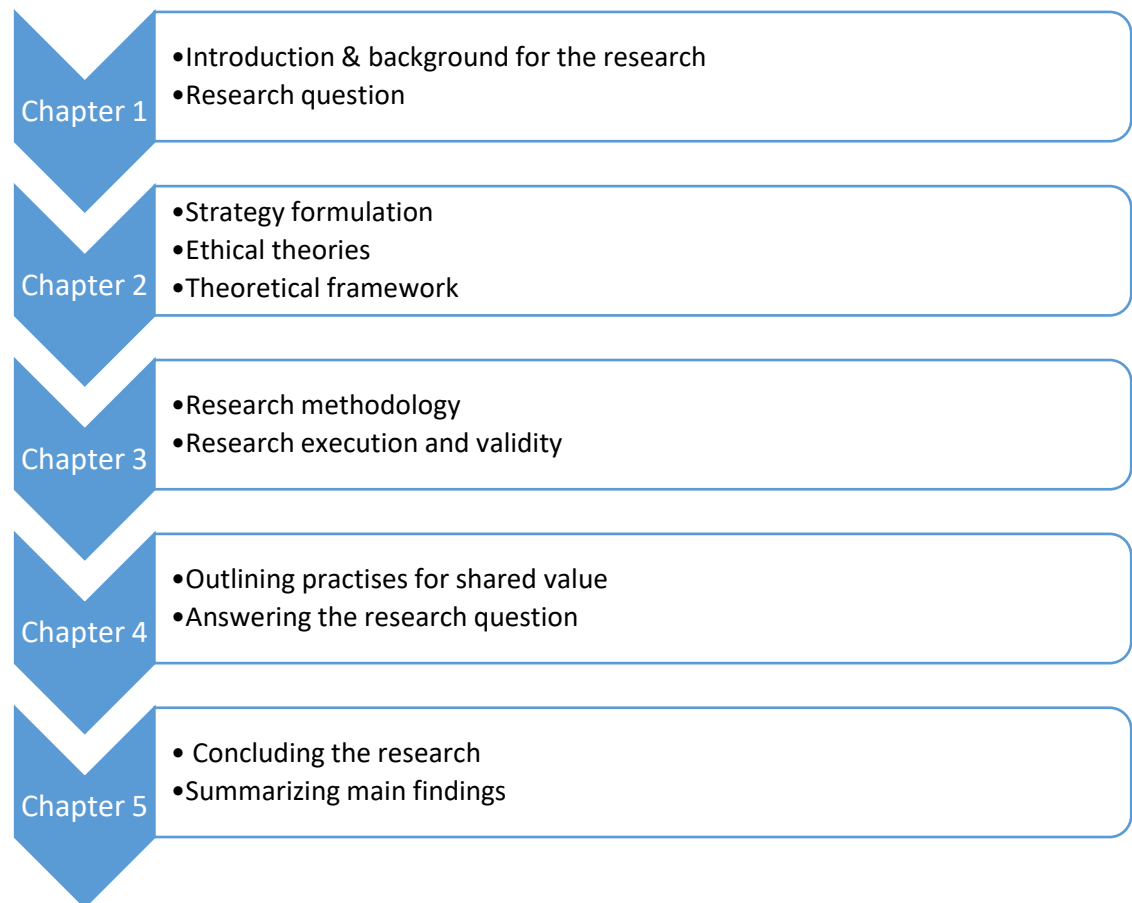


Figure 2 Thesis Structure

2 Literature review

This chapter describes the main concepts of business ethics and the theories involved in it. The chapter also describes the theories that takes the ethics further and aims at integrating them to a strategy. It begins by explaining the main issues of a strategy, which is the base for all the ethical issues in business. Next, the chapter goes through business ethics as well as the concepts linked to it, such as sustainability, the ethical theory and stakeholder theory. The next section explains corporate social responsibility as well as corporate citizenship. The last theory

chapter explains the concept of creating shared value. All these leads to the last paragraph which is the theoretical framework.

2.1 Strategy

There is no one specific definition for the word strategy and, thus, there are many. A company's time orientation, objectives, scope and purpose affect strategy.

(Chungyalpa & Bora 2015, 73) Still, strategy is one the main core processes in a company as all other processes follow it. It is also a process that cannot be outsourced. It should be formulated in the company as all the knowledge and commitment comes from there. (Smith 2007, 32) An organization's culture also affects the strategy making process. It is even said that the culture has the power over strategy. an organization's culture can, however, be changed to fit the strategy even though it is not easy. Still, the core values should be maintained. (Eaton & Kilby 2015, 4-5) Strategy aims at answering basic questions such as choosing the right target groups, broadness of the product line and how diversified it should be. Through these choices, the organization should commit itself to certain products, markets and customers as well as to a vision, mission and objectives. (Chungyalpa & Bora 2015, 74)

2.1.1 External Analysis

Strategy aims at gaining a sustainable competitive advantage in an industry where a group of companies produce the same product or service and compete with each other. Strategies should be tailored in a way that the company is able to compete in a profitable and sustainable way. In order to find the proper strategy, the company needs to decide on whether to concentrate on external or internal factors. (Porter 1990a, 33-34)

While concentrating on external factors, the company is able to use the five competitive forces when forming its strategy. These forces influence on the industry structure. (ibid. 35-36) The threat of new entrants depends on the present barriers in the market as well as the reaction of the already existing companies. There might be

some governmental restrictions which make it harder to enter the new markets. Another force is the threat of substitute products. Substitute products often enter the markets when there is development done within the market. This often reduces the price or improves performance. By using their bargaining power, suppliers can restrict profitability in the industry. They can do this either by raising the prices or lowering the quality. Moreover, the buyers can influence the markets by demanding higher quality and by means of competitive bidding. Companies can influence on the rivalry among existing competitors through their position. Rivalry is often intense when there are many competitors, the industry's growth is slow, there are no differentiation opportunities, the costs are fixed or when the exit barriers are high. (Porter 1979, 138-142) These factors shape the industry. Thus, companies can also influence these five forces. Companies need to understand the structure of the industry in order to be able to benefit from the opportunities it provides. (Porter 1990a, 35-36)

Many companies struggle with differentiating their operational effectiveness and strategy. Both are vital for a superior performance, but they work differently. In operational effectiveness, companies perform similar activities better than their rivals. Efficiency is at the heart of operational effectiveness as it aims at improving the way in which a company is utilizing its inputs. For some time managers have been concentrating mainly on operational effectiveness. This has led to a situation where the productivity frontier moves outward and raises the bar for everyone. Improving only the operational effectiveness leads to a situation where companies look alike. Concentrating only on operational effectiveness is destructive for everyone as the companies do not have any other way to expand than to buy out their rivals. This moves the industry towards imitation and homogeneity, which results in a zero-sum competition. In a zero-sum competition, the prices are either static or declining, and the pressure moves to the costs. This, again, affects the company's ability for long-term investments. (Porter 1996, 2-8)

In strategic positioning a company aims at performing different activities in a different way from the rivals. (Porter 1996, 3) Through strategic positioning, the company defines its approach to the competition (Porter 1990a, 37). There are three distinctive sources from which strategic positioning emerges. In variety-based positioning the concentration is on the product or services varieties. This should be chosen when the company can produce a certain product or service by using a unique set of activities. (Porter 1996, 11) Thus, the company needs to choose its competitive scope, the product range as well as the distribution channels. (Porter 1990a, 38) Positioning can also be based on customers. In needs-based positioning the company aims at serving a certain group of customers and their needs. (Porter 1996, 11-12) In needs-based positioning the company has to decide the segment that it will serve because different segments have different needs. Different strategies should be formed in order to serve different segments. (Porter 1990a, 38) A third way for strategic positioning is through segmenting customers according to their accessibility. This is called access-based positioning. In this the company needs to discover the best way to reach a targeted customer group. A company can, for example, choose to serve customers living in rural areas and not in urban areas. (Porter 1996, 14-15)

Positioning can be done by means of differentiation or lower in costs. In differentiation the company aims at providing a unique and better value to the customers. In the lower costs, the company designs and produces an equal product more efficiently than others and receives greater returns. It is nearly impossible to do both, and, therefore, companies should concentrate mainly on one or the other. In order to be able to position itself correctly, the company also needs to choose the right scope as well as the segment. The right scope means choosing the right product group, a suitable distribution channel and geographic areas which to serve. These two link close to each other as the segment influences on the product range and geographic area. (Porter 1990a, 38) When a company has found a valuable positioning, it will attract imitators. Competitors can either reposition themselves to match the valuable position or they can straddle by matching the benefits of a valuable position to their own existing position. A valuable position can only be

sustainable by using trade-offs. Trade-offs are a way to protect against repositioning and straddling. This means that a company needs to make choices concerning their activities. Some issues necessitate more than some others. There are three reasons for trade-offs. They arise due to the variations in image or reputation. They also arise from the activities as different positions require different activities. Thirdly, they arise from limits on internal coordination and control. Companies often confuse their employees by trying to be all the things to all customers. (Porter 1996, 16-19)

Combining the activities is also important. Activities should fit and reinforce one another in order to create a competitive advantage. Fit in activities creates a chain which is as strong as its strongest link as activities often influence one another. There are three different types of fits. A company's reliability between activities and strategy is called the first-order fit. In the second-order fit the activities are reinforced. The third-order fit goes beyond reinforcing the activities to the optimization of effort. Even though there are three types of fits, the whole system of activities needs to operate so as to be able to gain a competitive advantage. (Ibid. 21-27)

2.1.2 Internal Analysis

Another way to form a strategy is through internal analysis. One way is by using a resource-based view of competitive advantage. It concentrates on the company's internal features and performance. The resource-based view has two assumptions concerning the sources of competitive advantage. It assumes that the resources are not equally distributed to the companies within the same industry, and that the resources are not transferable, and, therefore, the heterogeneity can last longer period. (Barney 1991, 99-101)

There are three main concepts concerning the resource-based competitive advantage. These are resources, competitive advantage and sustained competitive advantage. A company's resources cover everything from attributes to assets, from knowledge to processes. The resources enable companies to increase their efficiency

and to implement their strategies. Resources can be divided into three main categories. However, not all resources are strategically relevant. Physical resources include the plants, equipment and the physical technology used. Training, experience, intelligence and relationships are examples of the human capital resources. Planning, controlling and reporting structure are part of the organizational capital resources. (Ibid. 101-102)

Competitive advantage and sustained competitive advantage are important concepts. A company can gain a competitive advantage when it applies its skills and resources to a product or market. (Mooney 2007, 111) In other words, its strategy creates values in a way that is not implemented by any other company within the industry. This should also cover not only existing competitors but also potential new competitors. (Barney 1991, 102) The company should lead the way by using its organizational factors. Competitive advantage can be either a capability of a company or a superior resource. (Mooney 2007, 111-112). As in a sustained competitive advantage, the company uses a strategy that is not used by any existing or potential competitors, and the competitors cannot imitate its benefits. It is not depending on a certain time but on the fact if anyone could imitate the advantages. There might be changes in the industry, which may form new opportunities for sustained competitive advantages. (Barney 1991, 102-103) The lack of imitation might be due to the fact that the competitors do not understand the competencies used to gain the benefits. In other words, the sustained competitive advantage is a capability or a resource, which is a valuable and hard to copy. (Mooney 2007, 112) The sustained competitive advantages can also be gain by being a first mover. The first company in the market can gain advantage by establishing a brand name and customer relationships without competition. This could also be done by having the ability to choose the best distribution channels and locations. (Barney 1991, 104) The advantage is greatest in the industries where customers are loyal to their suppliers and the meaning of economies of scale is great (Porter 1990a, 47). A sustained competitive advantage can also be gain due to the barriers of entry or a mobility of the barriers. Due to these, the existing companies can gain a sustained competitive

advantage, as it is hard for new companies to enter the market. The mobility of the resources affects the entry barriers and lowers them. (Barney 1991, 104-105)

Thus, for a company in order to form a sustained competitive advantage, it is necessary to assume that the resources are not transferable and equally distributed. A company's resource needs to have four attributes in order to be a source of sustained competitive advantage. The resource must be valuable. Valuable resources enable company to improve its efficiency. The resource has to be rare as well as valuable. If it is not rare, competitors can imitate the strategy and it is not a source of sustained competitive advantage. Resources also need to be impossible to copy. Sustained competitive advantage can be gained through resources only if competitors do not have the same resource and they cannot get it. A resource like this can be obtained through a unique historical condition, and they are often causally confusing or socially complex. The fourth attribute is that there cannot be corresponding valuable resource. In this case, these corresponding resources could be used separately to utilize the same strategy. A resource needs to have all these four attributes to create a sustained competitive advantage. (ibid. 105-111)

Competitive advantage can also be gained through a company's activities. A company must provide value to customers either by lowering the costs or by differentiating. Value can be created to the customers through a value chain. Activities in the value chain can be divided into primary activities, which involve e.g. marketing and sale, and into support activities, which involve e.g. human resources and infrastructure functions. Through a strategy, the company defines how the value chain is organized. Linkages connect different activities to a value chain and they require coordination. Linkages can be a source of competitive advantage when they are managed well and as an entirety. A value chain creates a larger totality, which is called a value system. Competitive advantage is formed from the way a company can manage the whole system. (Porter 1990a, 40-43)

2.2 Business Ethics

Business ethics is a complex entity but its importance has increased in the near future. Customers and interest groups are demanding more ethical and ecological ways of doing business. Media also increase awareness on ethical issues. Companies have also awakened to the importance of the ethics and there are few main reasons for this. The meaning of business in a society has increased. Due to this, the opportunity for a business to contribute back to the society has increased. In addition, the power and impact the business has on a society has increased and this might cause anxiousness in members of a society. A business can cause lot of damage to individuals, communities and environment. Business ethics can ease the anxiousness. Globalization of the businesses brings its own challenges to the business ethics due to the culture, legislation and accountability. With new territories, the company may face new ethical demands. The culture is still closely connected to the ethical issues. The local moral values, the region and the culture might confuse the managers when making ethical decisions. In addition, the legal framework varies. Due to this, the managers cannot rely solely on ethics when making decisions. The role of government becomes blurry because of globalization. It is harder for them to supervise international companies. This leads to a situation where the accountability is more in the hands of the companies. (Crane & Matten 2007, 4, 9-11, 18-20)

Business ethics have many definitions. The main idea concerns a decision between what is right and what is wrong. Many confuse ethics to morality and law as they are closely linked to each other. (Acevedo 2013, 64) Business ethics can be generally defined as a “study of business situations, activities, and decisions where issues of right and wrong are addressed”. (Crane & Matten 2007, 5) Some define ethics as a justice and some as a philosophical investigation and clarification of moral facts (Wiley 1995, 22).

It is important to define morality and law as they are closely linked to the ethics and often confused. Morality concerns norms, value and beliefs connected to a social purpose, which defines what is right or wrong for individuals or communities. (Crane & Matten 2007, 8) These values and principles direct the behavior of an individual or a group. Morality is influenced by the customs, culture, time and society, and therefore, it may change. Ethics on the other hand is not a morality. It is more a philosophical study of morality. (Acevedo 2013, 64) Ethics aims on clarifying the rules and principles, which determine right or wrong for a certain situation (Crane & Matten 2007, 8). In a way, ethics aims at systemizing, questioning and modifying the morality. Goal of the ethics is to identify, develop and justify certain universal and neutral principles on what a moral should be and do. (Acevedo 2013, 64). Rules and principles, which are clarified in ethics, form ethical theories. In a way, morality come before ethics, and ethics come before ethical theory. Some also mix business ethics with law, as there is some overlapping. Thus, they are not equal. (Crane & Matten 2007, 5, 8-9) The rules of conduct, its region and justifications come from law but they are not equivalent to the ethics (Acevedo 2013, 64). Some specific rules, regulations and proscriptions may come from the law to ethics. Some define law as the lowest acceptable standard of behavior. (Crane & Matten 2007, 5) This means that legal behavior is not necessarily ethical and some ethically justified actions can be illegal (Acevedo 2013, 64). It is also said that business ethics begin where the law ends. At some points, the law and ethics overlap but there is also a “grey area”. In this area, the law does not guide anymore but the ethics will. Decision making in this area is relatively difficult. (Crane & Matten 2007, 7)

2.2.1 Ethical Theory

The ethical theories provide companies ways for a systematic, rational and understandable decision-making. Normative ethical theories suggest morally correct ways of acting. These theories give the rules and principles, which define right and wrong for a certain situation. Ethical absolutism states that there are eternal and universally applicable moral principles. This means that right or wrong are neutral qualities and they can be rationally defined. Ethical relativism states that a morality depends on a context and is subjective. It claims that there is no universal definition

to right or wrong. Thus, they depend on the person and the culture. Many traditional ethical theories favor more absolutism as many contemporary ethical theories favor more relativism. Pluralism locates in the middle of these two. According to pluralism, there are some basic principles and rules for some social context but it also accepts different moral views and backgrounds. (Crane & Matten 2007, 86-87)

There are many different types of ethical theories. Traditional theories can be divided into two groups. The other group concentrates on the outcomes of a certain action and bases their moral judgement accordingly. These theories are called as consequentialist theories. Utilitarianism is an example of the consequentialist theories. It describes the right way to act in any surroundings, which maximizes the happiness. It is an abstraction rather than a list of actions. (Upton 2003, 170) The other group bases the moral judgement according to the principles of the decision-maker's motivation. The rightfulness of an action depends on the principles behind the decision and not from the outcome. These are called as non-consequentialist theories. (Crane & Matten 2007, 90-91) An example of a non-consequentialist theory is an ethics of rights and justice. This concentrates on the "natural rights" that humans are entitled. (Machan 2009, 469-470)

2.3 Sustainability

The importance of a sustainability has increased much from the 1990's. In 1987, United Nations defined a sustainable development as a "development that meets the needs of the present without compromising the ability of future generations to meet their own needs". This was a reaction to decrease the environmental impacts of an industry growth. (Schjeldahl 2013, 5) Thus, sustainability aims on answering problems concerning industrial and social development, and therefore, it has become important term to business ethics. According to the definition, sustainability seems to be about a system maintenance as it ensures that actions should not have a long-term impact to the surroundings. Examining the definition from the future generations' point of view, it also reflects intergenerational equity. (Crane & Matten 2007, 20-21) At first, sustainability answered the environmental issues but its focus

has also moved to societal and economic issues (Schjeldahl 2013, 5). Due to the shift in the interest of sustainability, new definition has been formed. According to new definition “sustainability refers to the long-term maintenance of systems according to environmental, economic and social considerations” (Crane & Matten 2007, 23).

Part of sustainability is a triple bottom line. This means that a company does not have a single goal, to make profits, but many goals. (Crane & Matten 2007, 23) According to triple bottom line, sustainability has three different dimensions, which are economic prosperity, environmental quality and social justice. Triple bottom line can be seen to contain all the values, issues and processes, which the company must consider in order to reduce the effect of their activities. (Mitchell et al. 2008, 67-68) Thus, many companies see the triple bottom line more narrowly as a way to measure and report company’s performance against social, environmental and economic parameters. Thus, it describes company’s accountability. In other words, triple bottom line places a monetary value to social and environmental actions and adds them to the financial reports. (Rogers & Ryan 2001, 282-283) The main idea of an environmental aspect is to manage physical resources effectively so that they are conserved for the future. However, there are many problems concerning this field such as impacts of industrialism and the use of non-renewable resources. The sustainability from economic aspects concentrates on the economic performance of the company. This means matters such as responsible management, long-term targets on share prices and market shares. Economic aspect can also be studied more broadly. This means company’s attitude towards economic structure in which it operates. This includes matters such as paying taxes, taking bribes or building cartels. The key issues in social sustainability is social justice, which means that companies should aim at diminishing the differences between the poor and the rich, the developed and developing countries, and the men and women. (Crane & Matten 2007, 25-27)

2.4 Stakeholder Theory

As early as in 1937 Adam Smith referred to the external interests in a company. He stated that customers were affected and had an interest in the company. (Key 1999, 319) The Stanford Research Institute (SRI International) introduced the actual stakeholder –word in 1963. It covered all the groups that the organization needed in order to be able to exist. This included at the beginning shareowners, employees, customers, suppliers, lenders and society. In 1984 Edward Freeman wrote a book on strategic management which concentrated on stakeholder theory. (Freeman et al. 2010, 30-31)

The stakeholder theory was at first developed as a response to turbulences in business. In today's business world the stakeholder theory aims at solving problems which arise with the globalization, technology development and increased awareness of social issues. Mostly, the problems rise from the ethics in capitalism and value creation. As people are becoming more aware of business transactions, they also require more transparency and responsibility. This should be transferred into the mindset of the managers. Ethics and business should be brought closer to each other's as most of the business decisions have some ethical content. Thus, also most of the ethical decisions have some business content. Therefore, these two should be seen as interdependent. According to the responsibility principle, a business that creates value and is involved in trade, is also responsible to those parties who are affected by or can affect the company's actions. (Ibid. 2010, 3-9)

There have been many definitions to stakeholders. Freeman (1984, 24-25) defines stakeholders as any group or individual that can affect or is affected by the organization and its accomplishments. All of them have an important role in whether the business is successful or not. These groups have a stake in the company either in terms of money or time. (1984, 25) The principle of corporate rights and the principle of corporate effect can be used to clarify this definition. According to the principle of corporate rights, a company has an obligation of not violating others' rights.

Companies also need to be responsible for their actions, and this is the principle of corporate effect. (Crane & Matten 2007, 57-58) Stakeholders can also be defined as all entities that are interested in and/or affected by the company, either its activities or existence. If these needs are not met, these entities can cause the company to fail or cause damage to it. From this definition, two characteristics that the stakeholders need to have can be separated. They need to be able to bring attention to their needs and they need to be able take actions if these needs are not met. (Garvare & Johansson 2010, 738)

Stakeholders come from the relationships that the company has to different actors. These actors can be divided into primary and secondary stakeholders as seen in Figure 3. The primary stakeholders have the power of support, which is required by the company (Garvary & Johansson 2010, 739). Without these, the company would cease to be viable (Freeman et al. 2010, 26). These might include customers, management, employees, suppliers, shareholders and communities (Garvary & Johansson 2010, 739). Resources are exchanged for the products and services by the customers and suppliers. The employees invest their time and skills. Their stake is their livelihood, whereas for the shareholders' it is financial. Communities give permissions to build facilities and, in turn, they expect to have economic and social contributions. However, the stakeholders might vary according to the company, the industry and the stage where the company is. The secondary stakeholders might be able to affect the company or they can be affected by it. They might also be able to affect the primary stakeholders. (Freeman et al. 2010, 24- 26) However, they do not provide any direct support for the company but they still have enough influence to be seen as more than just an interest group. (Garvary & Johansson 2010, 739)

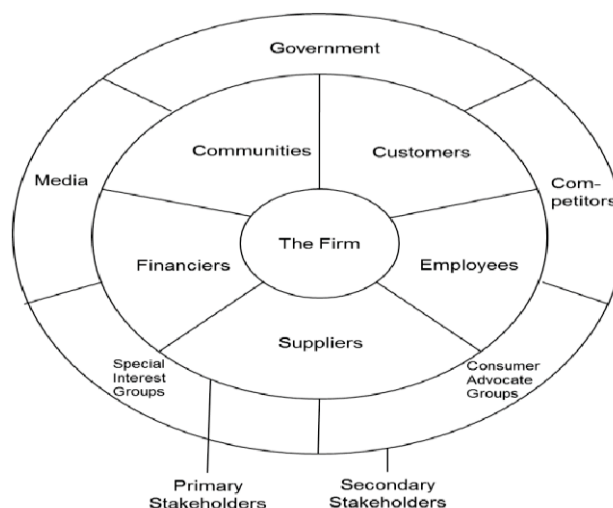


Figure 3 Primary and Secondary Stakeholders (Freeman et al. 2007, 24)

The stakeholder theory aims at describing how a company works or how it could work at its best. Its core is value creation and trade. It aims at managing a business effectively by creating as much value as possible. (Freeman et al. 2010, 9-10) There are different types of stakeholder theories. The normative stakeholder theory aims at answering the question of why companies should consider stakeholders' interests. The descriptive stakeholder theory aims at determining if companies do take stakeholders into account whereas the instrumental stakeholder theory aims at determining if it is beneficial for companies to take the stakeholders into account. (Crane & Matten 2007, 63) The legitimacy of the stakeholders is also an important issue. In weak legitimacy, the company attends to a stakeholder as it is beneficial for the company. In strong legitimacy, certain stakeholders deserve attention even though it does not benefit the company. This means that the company should extend its moral attention beyond its own interests. (Freeman et al. 2010, 209-211)

A stakeholder paradox arises from the tension between two different views; the stakeholder view and shareholder view. According to the shareholder view, a company's only aim is to make money for its shareholders. As the managements' responsibility is only to the shareholders, all other issues, such as social welfare, are morally wrong if they do not increase the shareholders' profits. This way of thinking is based on the fact that shareholders are the owners of the company and they are

the ones who have hired the managers. (Ibid. 2010, 202-203) Kenneth Goodpaster wrote about the tension between the two views and named it as a stakeholder paradox. Goodpaster states that decisions which are made based on ethical values are in some ways illegitimate. (Phillips 1997, 85) According to Goodpaster, there is a choice to be made between doing business without ethics and doing ethics without business. There is no way to combine these two. Goodpaster argues that the only group to which managers need to bear fiduciary duties is the shareholders.

Boatright argues against Goodpaster's stakeholder paradox. (Freeman et al. 2010, 203-204) According to Boatright there is nothing special about the shareholders when comparing to other stakeholders. He studied Goodpaster's claim more closely that there was something special in the relationship between managers and shareholders that was different from the relationship between management and other public groups. He studied three possible arguments for the paradox. These were property ownership, contractual liability and agency. According to the property right, shareholders need additional protection because they are the investors. Boatright argues that shareholders already have rights, such as the right to vote on the shareholders' resolution and, therefore, they do not need any special fiduciary duty. The second requirement of the fiduciary duties that managers have for shareholders is the contractual liability. However, there is no legal contract. Thus, there is an implied contract as recognized in the law. The last justification is an agency relationship. According to Boatright, there should be three characteristics in the relationship: consent to the relationship, the power to act on another's behalf and the element of control. He argues that none of these characteristics can be seen in the relationship of shareholders and management. As none of these arguments do not justify fiduciary duties, there is no stakeholder paradox. (Phillips 1997, 78-82) Boatright argues that it is hard to maintain a clear distinction between fiduciary and non-fiduciary duties. Therefore, he offers an alternative solution. He separates the decisions that have fiduciary duties to shareholders from those that do not. In the first case, the management has to consider other stakeholders as long as they benefit the shareholders. In the second case, the management needs to consider ethical values as well. (Freeman et al. 2010, 204)

2.5 Corporate Social Responsibility

In today's business world, many argue that a long-term financial value creation is not possible if a company do not fulfill both social and environmental requirements. This is also a reason why many stakeholders demand that a company interacts with all sustainability pillars at the same time. These pillars are social, environmental and financial. Corporate social responsibility (CSR) aims at doing this. The expenses in CSR should be turned into investments. However, CSR is a complex issue and requires a lot of consideration. One of the main considerations is how to make the core business environmentally and socially sustainable while remaining financially sustainable. (Bosch-Badia et al. 2015, 2) CSR concept was developed in the USA. It aimed at answering two questions; why corporations have social responsibilities and what is the nature of these responsibilities. Many argue that corporations do have social responsibilities as long as the company profits of them. Primary motivations behind the decision of CSR, determine the social value. However, there are strong moral arguments for CSR and, therefore, it is on a rather firm foothold. (Crane & Matten 2007 45-48)

A model called four-part model of CSR is one of the most accepted model that answers to the second question. According to this model, there are four different levels for social responsibility. The two lowest levels are economic and legal, as the two higher ones, and more socially oriented ones, are ethical and philanthropic. (Trong Tuan 2012, 548-549) The lowest level of the pyramid, economic, means that that the corporation has to be functioning economic unit to be able to stay in business. It works as a base for all the other layers. This is required from every corporation. The second layer, legal, refers to the corporation's behavior. The corporation needs to operate according to the law in order to be able to do business. This is required from every corporation. As ethical responsibilities assist corporations to do the right and fair thing, even though, there are no legal framework for it. Ethical responsibilities consist of society's expectations. The aim of the philanthropic layer is to improve the quality of life of the employees, communities and society. It includes many different issues and these are often desired in a corporation.

According to this, the CSR covers these four layers and the expectations, which are placed by the society. Even though, this model structures responsibilities, it does not address to the conflict between the responsibilities. (Crane & Matten 2007, 49-51)

In addition to this model, there are many other definitions for CSR. Many refer to the World Business Council for Sustainable development's definition of CSR. They refer to CSR as a commitment to contribute to a sustainable development. This should be done through economic development in co-operation with employees, their families, communities and society to improve the quality of life. It can also be defined as a voluntary commitment of a corporation to contribute to social issues. A corporation should concentrate on community well-being, human conditions and environmental issues. (Kotler & Lee 2005, 2-3) CSR can also be defined through a negative way. The definition argues that a corporation is not socially responsible if it only fulfills the minimum legal requirements. A good citizen should aim at doing more. (Freeman et al. 2010, 236)

CSR provides ways to increase the profits. Nevertheless, it also makes the corporation look good in the eyes of their employees, customers and partners. It might increase the brand awareness but also improve the image. There are evidences that it also might increase sales and market share, which all increase the profit. It also decreases operational costs. It advances the well-being of the community and society. (Kotler & Lee 2005, 10-18) However, there are some challenges. It is rather hard to choose the proper social issue. A corporation needs to consider many competing priorities before making the decision. In addition, selecting an initiative to address the issue and figuring out how to address it, can be a struggle. It needs to be developed, implemented and programmed in a proper way. If it is done with a partner, the responsibilities need to be distributed. In the end, it needs to be evaluated. This can be hard tasks as there are very little historical data on social responsibilities. (Kotler & Lee 2005, 18-21)

2.5.1 Approaches and Strategies to CSR

There are different ways to view CSR. One way is considering two different approaches; traditional and new. In traditional approach, the main idea is to do good to look good, thus fulfilling the obligations. The funds are distributed to as many different locations as possible and the decisions are done according to managements' preferences. In the traditional approach, the commitments are mainly for shorter-term. As in the new approach, the commitment is more for longer-term. In new approach, a corporation takes a strategic approach and aims at supporting their objectives at the same time. The initiatives are chosen based on the areas of focus, which fit the corporation's values. (Kotler & Lee 2005, 8-10)

There are four different strategies, which can be defined in the corporate strategy level (Galbreath 2006, 176). These four strategies also describe the corporation's social responsiveness (CSR2). CSR2 aims at going more to the practical level as corporate social responsibility (CSR1) functions more as a theory. Therefore, it aims at defining corporation's capacity to answer for the social pressures. (Freeman et al. 2010, 239) The first of these strategies is the shareholder strategy. CSR is seen as a way to maximize the returns. It is a component of an overall profit. According to it the wealth, which is created, is enough to meet social responsibilities as this donates prosperity to society. However, in this strategy the vision is rather short-term. (Galbreath 2006, 176 – 177) In shareholder strategy, the corporation reacts to surroundings. Thus, it denies all social responsibilities. It can state that these issues are for government. (Crane & Matten 2007, 53)

Another strategy is an altruistic strategy in which the social responsibility is managements' concern. Therefore, their personal values and beliefs guide their decisions a lot. A corporation recognizes the relationship it has to society and understands that it needs to give back as well. They often do this from their surplus profits. (Galbreath 2006, 176-178) It is called a defense strategy. Corporation admits that they have social responsibilities but they fight them. The corporation does the very least it can. (Crane & Matten 2007, 53) An altruistic strategy has some

characters in common with the traditional approach. In both management guides the contributions quite much and there is no clear reasoning behind the contribution.

The third strategy is a reciprocal strategy. It aims at finding proper solutions to conflicts between economic objectives and society's expectations on a social, moral and environmental issues. Strategy has two-fold purpose as it wants to benefit the society but at the same time it aims at providing economic benefits for a corporation. In this strategy, the vision is medium to long-term. Often corporations also partner with another associations, such as nonprofit organizations. (Galbreath 2006, 178) This strategy can also be called as an accommodation. It means that the corporation has already accepted the social responsibilities and does what is expected of it. (Crane & Matten 2007, 53)

The fourth strategy is called a citizenship strategy. A corporation aims at discussing with various stakeholders and fulfilling their expectations and needs. These needs are often integrated to the corporate strategy and the social objectives are in line with the economic goals. This strategy has rather long-term focus. Social responsibilities are managed and measured, which increases corporation's transparency as well. There have been found evidences that this strategy provides tangible rewards for the corporation. (Galbreath 2006, 178-179) Citizenship strategy is called also a proactive strategy. A corporation anticipates future trends and expectation and goes even beyond the norms. This way it acts in a proactive way towards social responsibilities. (Crane & Matten 2007, 53)

2.5.2 Corporate Citizenship

Corporate citizenship was developed to address the social role of a corporation. It was developed in the USA where it has been the most influential. However, the concept has spread slowly to the Europe as well. (Crane & Matten 2007, 70-71) Corporate citizenship considers ethical values and legal requirements in decision making. These decisions should be done by respecting the community and the

environment where the corporation operates. It has also been described as a relationship between the management and the society. All the values which guide corporate citizenship should be based on responsible corporate environmental management. (Bhandari & Abe 2001, 66)

There are three perspectives of a corporate citizenship. In a limited view a corporation aims at recognizing responsibilities, which the corporation accepts voluntarily. A corporation considers the local communities as stakeholders. Therefore, corporation aims at operating in a way that it has an opportunity to give something back to the community. When discussing on corporate citizenship, many imply on the limited view of it. Equivalent view can be seen as the updated version of CSR and therefore, it is often also defined in a same way as CSR. Equivalent view does not aim at defining new roles for a responsibility. The word citizenship works as starting point for extended view of corporate citizenship and consequently it concentrates on human rights. Corporations are seen as artificial humans in the extended view and therefore, they have the same rights and obligations as all the other citizens. However, they do not claim all their rights. Thus, as corporations are rather powerful actors in today's business world, they still need to respect the rights of the citizens. Thus, many argue that corporations step in where the government starts to fail. There are three aspects where the corporation participates according to the extended view. With the social rights corporation's role is often a providing role as it aims at increasing the welfare. As in civil rights, corporation's role is usually enabling. Corporation can influence the governments by encouraging them to respect the civil rights. Last aspect is political rights where corporation's role is channeling. As an example, individuals might use corporations as tools to effect political change. (Crane & Matten 2007, 71-78)

2.6 Creating Shared Value

The concept of shared valued was developed by Michael Porter and Mark Kramer. They began developing it in 2006 but their breakthrough article was published in 2011. Due to the last financial crisis in 2007/2008 many lost their trust on businesses.

This led to a scrutiny for businesses. (Pirson 2012, 31) Due to this, there became new policies and regulations which again undermined the competitiveness and weakened the economic growth. Businesses were seen as a major cause for social, environmental and economic problems even though they participated through CSR programs. In some cases, businesses were blamed even more for these problems due to these programs. Value creation was seen too narrowly through short-term goals. (Porter & Kramer 2011, 64) Different environmental and social issues concerning sustainability became major challenges for businesses (Pirson 2012, 31). As business and the society has been separate for a long period of time, many social improvements are seen as a constraint for a company. These raise costs and reduces profits for many companies. These have led to a situation where social costs exist which does not need to be bear, such as pollution. The society imposes taxes, regulations and penalties against these externalities. These have affected company's strategy. These have also pushed social problems to governments and NGOs, and a company sees CSR as a necessary expense. (Porter & Kramer 2011, 64-65) All these problems raised an idea that the business should be reinvented (Pirson 2012, 31). Due to these major challenges, companies should aim at bringing business and the society closer to each other. Societal issues should become the core of the business and not just a periphery. (Porter & Kramer 2011, 64)

A solution for bringing business and the society closer to each other is through the principle of shared value according to Porter and Kramer (2011, 64). The idea of shared value is "creating economic value in a way that also creates value for society by addressing its needs and challenges" (Porter & Kramer 2011, 64). It is a managerial concept. It should enhance the competitiveness and at the same time advance the community's economic and social conditions. (Scagnelli & Cisi 2014, 1) According to shared value, the company's success should be connected to a social progress. Shared value considers the social issues at the core of the company and it should be a management strategy. Therefore, it requires new skills and knowledge from the management. (Porter & Kramer 2011, 64) Managers should be able to identify and expand the relationship between economic and societal progress. This they can do by addressing societal issues, which interconnect with the business.

Strategic decision by the management should lead to long-term investments, which address social and environmental issues at the same time. (Scagnelli & Cisi 2014, 1)

Shared value aims at recognizing societal needs as well as social harms and weaknesses which create internal costs for the company. A company should expand its pool of economic and social value to meet these needs, harms and weaknesses. This is rather important as a business needs a successful community in order to operate and thus, a healthy community needs a successful company. (Porter & Kramer 2011, 65-66) Thus, there is interdependence between a business and the society (Scagnelli & Cisi 2014, 1).

When companies, which have created shared value, have been studied, there have been discovered five mutually reinforcing elements. Culture, context and strategy affect the balance of these. Embedding a social purpose is the first element. It aims at answering social issues in a profitable way. The whole social mission should be rooted in the company's culture. A company should concentrate its resources to innovation development, which can assist on solving social problems. Shared value opportunities should be turned into activities. However, this requires a clear social purpose which should be published internally and externally. It should also be included to the core processes, such as strategic planning and budgeting. By continuously describing threats and opportunities the company is able to reinforce its social purpose. (Pfizer, Bockstette & Stamps 2013, 102)

Secondly, they all defined a social need. They need to comprehend the original social conditions to be able to change them. With the help of this, a company can divide resources better, develop the business case and recognize capabilities needed inside and outside the company. However, understanding the conditions requires time and resources from the company. The third element is measuring. The aim is to provide social and business benefits, which are scalable and measurable. Thus, there is no universal system to measure the results. However, there have been developed three steps for the measuring. The company needs to estimate the value of the business and social issues. This means that if there is a change in social conditions, how it will

affect the profits. Next, they need to measure the results in the middle and track the progress. At the end, they need to assess the shared value which is produced and measure the final social and economic benefit. (Ibid. 102-105)

The fourth element is to create an optimal innovation structure. There should be a semiautonomous unit which develops the initiatives. These should be integrated to the core business which then launched them. There should also be a governmental support for the initiatives. It can be for example funding. The company should also use external entrepreneurs who could tackle and solve challenges. The fifth element is co-creating with external stakeholders such as governments and NGOs. Stakeholders can help to identify problems and different dimensions of them. They can also assist on designing and implementing the solutions. (Pfizer, Bockstette & Stamps 2013, 105-107)

2.6.1 Ways to Create Shared Value

There have been identified three ways to create shared value. These open new needs, increase efficiency and create differentiation as well as expand the markets. The first way to create shared value is through reconceiving products and markets. There are different needs in the society concerning matters such as health, housing, financial security and aging. (Porter & Kramer 2011, 67) By reconceiving the products and markets, the company should aim at answering these needs of the society. They can do this by considering whether their product is good enough for their customers. (Gibson 2011, 2) In many places the demand has increased rapidly for products and services, which meet the needs of the society. Many companies are also more active than governments or NGOs in meeting these needs. Shared value can also be created through reconceiving markets. Through reconceiving markets a company serves disadvantage communities or developing countries which are commonly seen as not viable markets. However, the needs in these are great and these should be identified in a company. By serving these needs, by providing low-income products to disadvantage consumers, can be profound to societal benefits but also to increase company's profits. (Porter & Kramer 2011, 67-68)

The second way to create shared value is by redefining productivity in the value chain. Natural resources, health and safety, working conditions and equal treatment are all connected to the company's value chain. Costs of the value chain should be examined and reduced in a way that benefits the society as well. (Gibson 2011, 2)

There is a great similarity between productivity in the value chain and societal progress. Therefore, opportunities for shared value arise when societal problems create economic costs, as externalities increase the internal costs, even though, there are no regulations and taxes. The most important ways to study the value chain is by looking at the used energy and logistics, used resources, procurement, distribution and location, and employee productivity. (Porter & Kramer 2011, 68-71)

Energy use in the supply chain effects to the costs but also to the carbon emission. By reducing the energy use, a company can gain more profits while reducing the carbon emission. Looking at the resource utilization, a company can reduce water consumption, the use of other raw materials, packaging while increasing recycling and reuse. This benefits many different actors. (Gibson 2011, 2-3)

The third way to create shared value is by enabling local cluster development. The company's success is affected by other businesses, suppliers, service providers and infrastructure. (Gibson 2011, 3) These influence the company's productivity and innovation as well as the growth and competitiveness. Internal costs are created if there is a shortage in the framework conditions around the clusters. Shared value is created by building these clusters which improve productivity but also addresses the clusters' conditions and failures in them. With cluster development, the company should aim at an open and transparent markets. To be able to build cluster the company needs to identify lacks in a different business areas such as logistics, suppliers and distribution. By building clusters to main locations, the company strengthens the connection between community's success and its own success. By concentrating on the greatest constraints for the productivity and growth, and by separating areas in which the company is best equipped to impact directly from the most cost-effective collaborations, the company has the greatest opportunity to create shared value. Thus, the cluster weaknesses, which limits a company, are the

most effective ways for shared value. (Porter & Kramer 2011, 72-75) The private sector, governments and NGOs should be involved in the cluster development as then it is at its best (Gibson 2011, 3).

2.6.2 Aspects of creating shared value

There has been identified certain strengths and weaknesses for creating shared value. There has been a challenge in the business world that the rightfulness of the business has fallen to very low level and shared value has succeeded to answer this challenge in a very convincing way. Therefore, creating shared value has gained lot of attention from the business world but also from the scholars. It has gained scholars attention rather rapidly. Creating shared value competes with other social responsibility initiatives which increases the awareness towards it. All of this is partly due to the Michael Porter's reputation but also due to the fact that few leading firms, such as Néstlé and Coca-Cola, have adopted it. It also considers social issues on a strategic level and it sees social issues as opportunities, not just constraints. Creating shared value also defines the government's role rather clearly. It has also brought new innovations under the idea of "conscious capitalism". Shared value provides different concepts to it which are loosely connected to each other's. Creating shared value provides an outline on how to connect all the other theories concerning social and environmental responsibility. (Crane et al. 2014, 3-6)

There have also been found some weaknesses and shortcomings. The first weakness is that shared value is not original even though it is presented in that way. It has many similarities to other social responsibility theories such as stakeholder theory and CSR. In Porter and Kramer's article there are no acknowledgements to the developers of these other theories. It also ignores the huge tension which lies between social and economic goals. Even though it handles the trade-offs, it does not deal them sufficiently. Shared value also ignores the negative impact these trade-offs might have for stakeholders of a certain type. Shared value discusses of gaining a win-win situation but it does not guide how to gain it. This might lead to a situation where the company promotes a win-win situation even though it has not gained it. Creating shared value deals with challenges of business compliances in a naïve way.

It ignores the negative impacts of the company and has a positive view that all the companies wish to obey external norms. One of the main problems for multinational companies is the lack of legal and moral compliances. Shared value thus assumes that these compliances are given even though most of the governments are unable to effectively regulate multinational companies. Shared value bases its existence on the company's role in the society while it is rather shallow. Capitalism's legitimacy crises are the most deep-rooted problems in the whole concept of capitalism. Shared values do not give ways to confront these problems. It does not also provide any strategy models which should be changed. (Ibid., 2014, 6-20)

2.6.3 Creating Shared Value and CSR

Many have argued whether there are differences between creating shared value and CSR. There are also suggestions that creating shared value is an improved version of corporate social responsibility. According to Porter and Kramer, these two are different as CSR often concentrates on reputation and has narrow connections to business. Due to this many CSR programs are rather hard to justify. (Scagnelli & Cisi 2014, 1-2) CSR mainly concentrates in the value creation by doing something good. It aims at doing this through a corporate citizenship, different sustainability issues and philanthropy. CSR programs are often an answer to external pressure to participate in the society. They are also voluntary and companies do them to increase their reputation. These programs are separated from the profit maximization most of the time. However, profit often determines the stage of the involvement in a CSR program. The social aim is mainly defined by the personal preferences and external reporting than an actual need. This limits the impact primarily to corporate footprint. (Porter & Kramer 2011, 76)

As in creating shared value the value comes from an economic and societal benefits compared to costs. In shared value, companies and communities join to create this value. The idea is integrated to the company's strategy and therefore, it is one way to compete. Social issues are not seen as separate issues but as a way to increase profits, and therefore, they affect to the whole budget of the company. Often social and environmental needs arise inside the company, and thus, they are often

company explicit. (Porter & Kramer 2011, 76) Many scholars argue if the CSR programs could be leveraged through creating shared value. This could be done in company's processes by developing a clear strategy aiming at improving social issues. This influences to the core business as well as the supporting processes and operations. (Scagnelli & Cisi 2014, 2)

2.7 Theoretical Framework

As the current literature shows, there are different levels of responsibilities, which companies can follow. Every company aims at achieving a competitive advantage or a sustainable competitive advantage by making different choices than their competitors do or having lower price. Yet, in many cases, responsibility and societal issues are not seen as a way to differentiate but more as a philanthropy. The goal of creating shared value is to address these issues with a business model, and this is why creating shared value is chosen to be a core for the theoretical framework of this thesis. Creating shared value, as stated earlier, aims at create economic value while creating value for society by meeting its needs and challenges. Creating shared value moves beyond social responsibility, philanthropy and sustainability as it in the center of what a business does. A company can serve new needs, differentiate more, expand markets and gain efficiency by connecting the business and societal improvements better. (Porter & Kramer 2011, 49-53, 64)

At the heart of the creating shared value are the stakeholders and bringing value to them. To be able to create shared value, a company needs to have a clear understanding of its short, medium and long-term stakeholders. A company should monitor stakeholders for the emerging matters, which might affect them. (Tomac & Reading 2012) The external environment can also have an effect to the stakeholders. By constantly monitoring the environment with the help of the five forces; threat of new entrants, threat of substitutes, bargaining power of supplier, bargaining power of buyers and industry rivalry, the company is able to be proactive with the stakeholders.

As primary stakeholders have the power to support, these are the ones a company should mainly concentrate (Garvary & Johansson 2010, 739). Defining the primary stakeholders can be difficult, and depending on the industry, they can include shareholders, customers, employees, partners/suppliers, and communities/societies. A company should realize, which are the needs and motivations for their primary stakeholders, and turn them into a stakeholder value. However, this often requires going back all the way to the business model of the company. (Cadman & Bildfell 2012) Improvement and development of a company's policies and commitments should be done in cooperation with the stakeholders. This gives new viewpoints on how to build a company and it helps to integrate social issues to the core of a company. Stakeholders can bring attention to critical societal issues, which a company might otherwise ignore. Close co-operation with stakeholder can also increase the level of trust and respect. (Nestle 2016) Even though primary stakeholders are the ones, which have the most power, external stakeholders should not be forgotten. By interacting with them, a company is able to find new opportunities for creating shared value. A company might find important social or environmental gaps, which it might turn into a business.

There are discovered three distinct ways for banks to create shared value. In all these three ways, the stakeholders have a central role. This means that without really understanding the needs of their stakeholders, banks are not able to integrate the creating shared value into their core business. Some of the ways to create shared value suit better for retail and commercial banks, as some suit better for commercial and corporate banks or investment and private banking. However, there are issues that can be related to all banks, regardless of the banks business form.

Three ways to create shared value in banking are based on Bockstette et al. (2015) study on it and the theoretical framework will be based on this study. Three ways to create shared value in banking has similarities to the original ways to create shared value identified by Porter and Kramer (2011). Furthering customer prosperity, and reconceiving the product and markets both aim at meeting the customer needs and

adding value to the customers (Bockstette et al. 2015, 10; Gibson 2011, 2). The second way of creating shared value, redefining productivity in the value chain, by Porter and Kramer (2011) is also closely linked to advancing customer prosperity. Banks have a critical role as financiers on redefining productivity in the value chain. Bockstette et al. (2015) discovered that fueling the growth of regional economies is another way to create shared value in banking. This is done through clusters and supply chain financing. (12) This again is closely linked to enabling cluster development, which is Porter and Kramer's (2011) third way of creating shared value (72). They support each other's and financing clusters enables the cluster development. Financing solutions to global challenges is the third way to create shared value in banking (Bockstette et al. 2015, 14). Even though, this is not directly connected to any of the original ways to create shared value, it still provides opportunities to support them.

2.7.1 Furthering Customer Prosperity

Many retail and commercial banks leave value on the table as many of them fail in serving and expanding their customer base. These banks depend on customers making deposits and taking out loans, and therefore, this should be a core for these banks. There are two ways for banks to do this. Firstly, they should concentrate on supporting and strengthening their customers' long-term financial health, and secondly extending their services to new individuals and SMEs. Both of these ways should be done through core processes and customer relationships. (Bockstette et al. 2015, 10-11)

The need to support the financial health of their current customers increased after the last financial crisis as banks distributed mortgages to customers who could not handle them. By supporting financial health, banks are able to grow their business but also have better chances to avoid defaults and foreclosures. Another way, as mentioned earlier, to further client prosperity is to extend services to new individuals and SMEs. Many retail and commercial banks ignore unbanked and under-banked individuals and SMEs, even though these groups provide significant opportunities for them (Ibid. 2015, 10-11). Urbanization and refugee situation are good examples of

changes, which might bring under-banked individuals even to western countries. To be able to serve current customers better and to extend the services to new customers, a bank should reconsider its value proposition. Through shared value thinking, a bank has an opportunity to discover new value propositions, new chances for positioning and new resources, which can provide a competitive advantage and new ways to serve customers. Value proposition is in the core of the business. Value proposition means that a bank needs to make choice which customers to serve and which of their needs to fulfill as it is impossible to serve all. In the value proposition bank also considers the price for their service. Social dimension in the value proposition can provide opportunity for differentiation for a bank. Creating shared value can open up ways to operate differently and even reduce costs. Making strategic choices require trade-offs to fit the activities to the value chain. (Porter 2015)

Banks can also serve their current and potential customers better and gain advantage at the same time by being innovative. Through innovation, a bank can offer better methods or ways to serve the customers, or improvements in technology. Innovation is often a result of new needs or a shift in customers' needs. Financial crisis might have also caused new needs for many customers or their priorities might have changed due to it. (Porter 1990b, 45-46) A good example of reconsidering value proposition and being innovative is the National Australia Bank (NAB). They reconsidered their strategy and value proposition after the financial crisis, and decided to start a program, which aimed at helping struggling customers through advisory and different loan repayment options. They call it as NAB Care and it is fully integrated to collections department. Through the program, the bank was able to reduce 20% in loan defaults. (Bockstette et al. 2015, 10)

In addition to individuals, banks should concentrate on SMEs. They have a significance role in many economies and SMEs are a growing segment. Yet, in many cases, banks services do not support this customer group. Due to this, many SMEs do not get financing and those who do get it often struggle with the loan repayments.

(Bockstette et al. 2015, 11) It all comes down to value proposition again. Through reconsidering the value proposition, banks have an opportunity to reconsider their main processes and find new innovative ways to serve SMEs. One of the biggest problems there is in financing SMEs, is the lack of their credit history. In many cases the services and products a bank offers to SMEs are not tailored to meet their needs. A creating shared value provides an opportunity for banks to recreate their credit assessment criteria, and their products and services to suit better the situations where SMEs are. This would benefit both banks and SMEs. A great example of reforming credit assessment criteria is Banco de Crédito e Inversiones (BCI), which concentrated on the level of commitment and determination the entrepreneurs' have, and the quality of their business plan in their credit assessments. Through this BCI increased its profits while still maintaining the same default rate as earlier. (ibid. 11)

However, this is a complex issue, due to the heavy regulations, there are in the banking industry. Basel I and II Accord set requirements for capital adequacy. There are also further pillars for supervisory monitoring and market discipline. (Mileris 2012, 497) Greater risk assessment is emphasized in the first pillar of Basel II Accord. The aim is clarifying the connection of true risk between loan portfolio and the capital. To be able to clarify this connection, banks need to rate their customers better and this is often a problem with SMEs. Many SMEs are unfamiliar with formal ratings and they are not prepared for it. (Bartels 2002, 48) There are two types of credit risks, which to consider; credit risk of individual positions and credit risk of the loan portfolio. Credit risk of individual positions arises when borrowers cannot make their payments. When there are many individuals who cannot make their payments, it affects the credit risk of the loan portfolio. (Mileris 2012, 497) Thus, it is not easy to assess the credit risks. Many credit managers often lack the skills to assess especially soft facts such as market position and competence of the management, when rating the SME. (Bartels 2002, 48)

Reconsidering the strategic positioning can help banks to reach their current customers and potential individuals as well as SMEs better. As mentioned earlier in the theory, the aim of strategic positioning is to perform various activities in a different way than their competitors. Banks should concentrate on variety-based and needs-based positioning. With these, they can use their unique set of activities to differentiate, but at the same time position themselves to serve specific customer groups. (Porter 1990b, 37; Porter 1996, 11-12) Positioning can be done by differentiating or through low costs. Creating shared value can be seen as way to differentiate.

By reconsidering the strategic positioning, a bank needs to consider its activities as well. This might provide an opportunity to reach current customers, and underbanked individuals and SMEs better. Customers of today's world are constantly on a move and busy. To be able to reach them, a bank needs to find cost-efficient channels. By reconsidering their supply and value chains, and resources they are able to succeed. Through these, banks have an opportunity to gain competitive advantage. (Bockstette et al. 2015, 11) All the operations in a bank can be divided into different activities through which a bank can create value to their customers. This value is measured by the amount these customers are willing to pay for the services bank provides. There are two ways to gain competitive advantage; by performing activities more efficiently than competitors or by performing activities in a different and unique way. All the activities in a bank, which provide value to the customers, can be put into groups. This is called a value chain. Activities can be divided into two wider groups, which are primary and supporting activities. Figure 4 shows which activities belong to these groups.

Strategy operates as a guideline for the activities and it defines the way value chain is organized. Different activities in the value chain are connected through linkages. Activities often affect each other and generate linkages. Linkages regularly produce trade-offs, which should be solved according to the strategy. Value chain needs to be managed as a whole. Managing value chain well and solving linkages can be a source

anytime, and this raises new opportunities for a bank to reconsider its activities.
(Hamidianpou et al. 2016, 4-5)

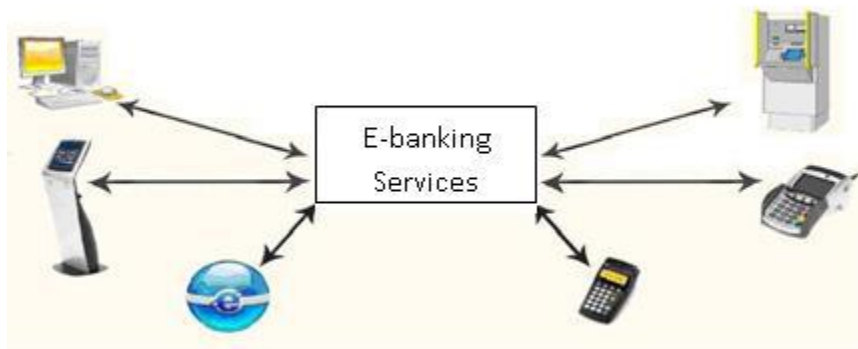


Figure 5 Services provided in the e-banking system. (Hamidianpou et al. 2016)

2.7.2 Fueling the Growth of Regional Economies

Fueling the growth of regional economies to expand demand for services as a way to create shared value is mostly relevant for commercial and corporate banks but it gives ideas for all the banks. A bank relies heavily on the communities where it operates and it has had a critical role in economic growth through its main processes. When the community is going great, a bank will have healthier and better customers to serve. However, in many cases bank has been concentrating on a single business at a time while it should have been concentrating to the entity. Thus, a bank should be concentrating more on the whole ecosystem of actors in the community. Through this bank is able to improve the growth in the region while increasing their own business as well. (Bockstette et al. 2015, 12)

A bank can increase the growth of a community by financing clusters and supply chains. Cash flow challenges and restricted access to capital for one actor causes often difficulties in clusters. Solving this problem can boost the growth of the whole cluster. (ibid. 12) Thus, a bank is able to finance clusters, they need to understand how clusters are formed and what they encase. Clusters are geographic concentrations of companies and institutions of a certain field, which are

interconnected. Clusters include a selection of related industries and other entities, which are important to competition. (Porter 1998, 78) A successful microeconomic business environment requires dynamic clusters. There are certain characteristics for dynamic clusters such as intense competition, which creates change and advanced supplier base, competition, which is originated from entry of new companies, strong cooperation and proximity of sophisticated buyers. (Sölvell et al. 2003, 18-19) Competitive advantage is created by being more productive with inputs. This again requires constant innovation. Clusters point out that the environment outside the company has an impact to productivity and innovations. (Porter 1998, 78) Clusters emphasize locality, as there lies many factors for competitive advantage such as knowledge, relationships and motivation. In fact, sustainable competitive advantage is often created by combining internal and external resources, which exist in the local business environment. It is also the location where strategic choices are done. (Sölvell et al. 2003, 21, 78) The idea of a cluster is to stimulate competition and cooperation. If there is no competition, a cluster will not succeed. (Porter 1998, 78-79)

In addition to financing clusters, a bank can create shared value by supply chain financing (SCF). Many companies wish to extend payment terms for their supply chain. However, most of the suppliers are not able to stand further lengthening of payment periods. Through SCF, companies can advance the efficiency in their supply chain without causing harm to critical suppliers. SCF provides a bank an interesting way to assist their customers to grow and to participate to the surrounding environment without taking on unacceptable risks. (Kerle 2010, 39-43) A bank needs to cooperate with their customers, who are buyers, and identify the types of suppliers to whom SCF would suit. After this, the approach needs to be modified to fit the needs of participant's working capital and cash flow. As buyer companies are often bigger companies, suppliers have an advantage of this. This means that financing has lower costs and they know when they will receive the money. (Busch 2008, 24) Figure 6 below, shows the main idea of SCF after the financier has come between the supplier and the buyer. The supplier invoices the buyer after purchasing has been done. After receiving the buyer's indication to pay, the provider of the SCF

funds the supplier. When the original payables liability is due, the buyer funds the SCF provider. (ibid. 24)

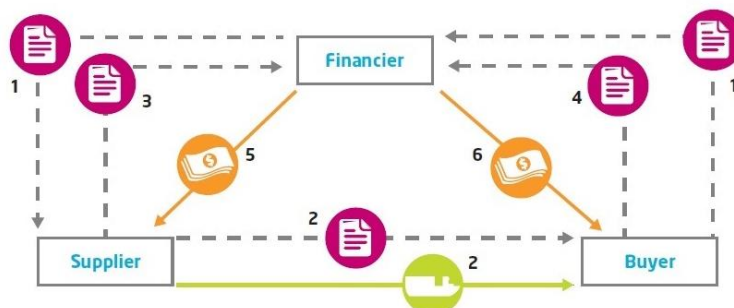


Figure 6 Supply Chain Finance process (Trade Finance 2016)

A good example of creating shared value through financing clusters and supply chains is a bank called Vancity, based on Vancouver. They build their business around market clusters such as organic food industry. They have specialized solutions for the sector, which brings employment to the area and improves personal and environmental health. Vancity also operates proactively in the community by supporting the local food ecosystem, catalyzing supply as well as demand, and establishing cross-sector networks of main actors. Stimulating local economies in addition to financing clusters and supply chains can provide opportunities for banks. Bendigo Bank is a great example of this. Many banks closed their branches in rural areas of Australia. Bendigo Bank answered to this by cooperating with local communities to form the Community Bank. This means that communities run these branches as franchisees with the support of Bendigo Bank. This has been very successful for Bendigo Bank and the communities, as part of the revenue is invested back to the communities to encourage long-term growth. (Bockstette et al. 2015, 12-13)

2.7.3 Financing Solutions to Global Challenges

The third way for a bank to create shared value is financing solutions to global challenges. These challenges include social and environmental issues such as renewable energy and quality of education. Traditionally these have been

governmental matters but recently financial institutions have become more involved as well. Especially investment and private banking has an opportunity in this. (Bockstette et al. 2015, 14) There has also been a clear shift in the attitudes of consumers. Consumers wish to gain more than just financial returns to their investments. The amount of assets has increased rapidly in different ways of responsible financing. (Combs 2014, 14-17)

A bank can answer to this need either by banking customer segments, which provide social or environmental welfare, or by impact investing. A bank needs to be proactive in attracting customers who operate in a way, which delivers social or environmental benefits. By attracting these customers, a bank is able to build long-term relationships and grow their business at the same time. However, this often requires specific expertise from the bank's staff. A bank needs to target the whole sector instead of concentrating on just one transaction. (Bockstette et al. 2015, 14) Being proactive with customer acquisition requires positioning as a bank, which is interested in these issues. Through positioning, a bank can emphasize that it performs activities in a different way than its competitors. An example of this is increasing the specific expertise of their staff and this offers a way for a bank to differentiate. Experience, intelligence and relationships are counted as human capital resources as mentioned earlier in the theory. According to resource based-view, resources can be a source of sustainable competitive advantage when they are rare, valuable, hard to imitate and there is no corresponding substitute for them. (Barney 1991, 101-102, 105-111) Human capital resources, such as specific expertise of the staff as well as long-term relationships, which should be built within the sector, can be counted as sources of sustainable competitive advantage.

Another way to finance solutions to global challenges is through impact investing. There are many definitions for impact investing. Thus, they are investments, which are done to companies, organization and funds. The aim of these investments is to generate a social and environmental impact along a financial return. (Global Impact Investing Network 2016) However, the line of definitions is wide, which leaves room

for confusion and miscommunication, and this needs to be recognized (Betournay 2015, 79). This thesis uses the definition made by Global Impact Investing Network, which is written above. The aim of impact investment is that the social good is not just some byproduct. Impact investing meets the expectations for different returns and risk tolerances. (Hernandez & Hugger 2016, 17-18)

There are different ways to do these investments. Social impact bonds (SIB) and green bonds are the best-known ways of fixed income. Often, the return is smaller in these, but there is far less risk. In SIBs, the capital is directed to social service organizations in exchange for accomplishments. Governments are often involved in SIBs and they contract private sector financiers. Environment is in the center of green bonds. This way of investing has grown rapidly in few years. Equity is another way for impact investing. Through equity, investors can target companies, which sell products or services to certain geographic areas or targeted populations. (Hernandez & Hugger 2016, 18-19) This gives companies a way to be very specific with their impact but it also requires that the co-operation between investor and investee is fluent. Investor can also have an impact through private equity funds. Often these funds have a theme and the fund manager places the funds to companies, which align with the impact theme. (Betournay 2015, 80)

There are three issues, which need to be considered, when planning impact investing and which need to be taken into consideration by a bank. Firstly, a bank needs to understand what the investor means by a social good. Thus, what kind of impact she or he wishes to have. The focus can be for example on geographical issues or thematic ones. As there is no right way to do this, a bank needs to decide, which customers to pursue and concentrate on their wishes. After this, a bank needs to decide the intensity and the range of the wanted impact. The impact, which the investor is after, can be a small or a great, and the timeframe might vary as well. The last thing to consider is the risks profile. Impact investing has both financial and impact risk. Thus, the bank needs to consider how to prove that the desired impact is

delivered. They should also have some sort of evidence for the potential investors to show that their investments really have an impact. (Trelstad 2016, 3-5)

3 Methodology

The aim of the study was to understand the levels of creating shared value in the banking sector. It was conducted from the banks' point of view and by concentrating on strategy integration. It focused on three levels of creating shared value all of which consist of their own strategy integration opportunities as the theoretical framework shows. The research process proceed from empirical data collection to forming the concepts and, finally to explaining the phenomenon as a whole.

3.1 Research approach

The research approach was based on the subjectivist view on ontology. Subjective ontology concentrates on studying what there is in the world through interpretation and perception. The reality is based on different perceptions and experiences that differ according to the person, time and context. Thus, the reality for the researcher is created through the interpretation of a social process. (Eriksson & Kovalainen 2008, 13-14) The present study aimed at understanding the connection of strategy to the surrounding environment and at determining whether creating shared value enabled a shift in it. The research question was studied and interpreted in the context and with the help of cultural meanings (Ibid., 4-5). The study aimed at understanding the phenomenon as a whole and interpreting the result accordingly (Hirsjärvi et al. 2010, 161-164). Therefore, a qualitative research method was chosen.

Case study was chosen to be the research methodology as it concentrates on studying a phenomenon in a real-life context. Case studies are often used for understanding complex social phenomenon, and the researcher should be able to produce holistic and detailed knowledge on real-life events. (Patton & Appelbaum 2006, 60, 63) The complexity comes from a fact that the boundaries between the

context and the phenomenon are unclear, and, therefore, there should be limits set for the case. Throughout the research process, the researcher transforms the objects through interpretation and understanding. Through this, the boundaries for the research are partially set. A case study is also characterized by the multiple sources. The study is seen to be more exact, assorted and rich if multiple sources are used. Empirical data can be either primary or secondary data. (Eriksson & Kovalainen 2008, 117, 125-126) The study aims at describing the uniqueness of a case. In order to be able to do this, the case needs to be studied thoroughly in its own business context. Moreover, interpretation and description are emphasized. The goal of the research process is to have a good story worth reading. Thus, the research process is an intensive case study. For a case study to be good, it needs to be significant in some way. All aspects of the issue at hand should be considered. Both supporting and challenging evidence should be presented in the study so that the reader can reach an independent conclusion. (Eriksson & Kovalainen 2008, 120, 133)

3.2 Research context

The main idea of a financial system is to distribute funds from people who spend less than their income to people who wish to spend more than their income. These lenders are rather often households, but they can also be firms, the government and non-residents. There are two ways to distribute the funds. They can be borrowed directly from investors by obtaining financial instruments. These instruments are claims on the borrower's future income or assets. This is called direct or market-based finance. Another way to distribute money is through financial intermediaries. These can be credit institutions, monetary financial institutions or other intermediaries, and this is called indirect finance. They are part of the financial system. This is demonstrated in Figure 7. (Bank of Finland 2016b) There have been many changes in the Finnish banking environment during the past few years. The operational environment has been challenging for the banks. They have been adjusting their actions to the changing environment by reducing the personnel and the number of offices. They have also rearranged their businesses and revised their business models. The reasons for these actions have been the low level of interest, digitalization, tough overall financial situation and tightening regulations. (Pankit

Suomessa 2013, 4; Pankit Suomessa 2014, 2; Pankkivuosi 2015, 2) Credit assessment criteria have become stricter due to the regulations and directives on solvency. In addition, the European Union agreed on liquidity requirements which came into effect partially in October 2015. Still, the Finnish banking sector is strong and in good shape, which has supported the economy during the hard times. (Pankit Suomessa 2014, 2; Pankkivuosi 2015, 2)

FINANCIAL INTERMEDIATION

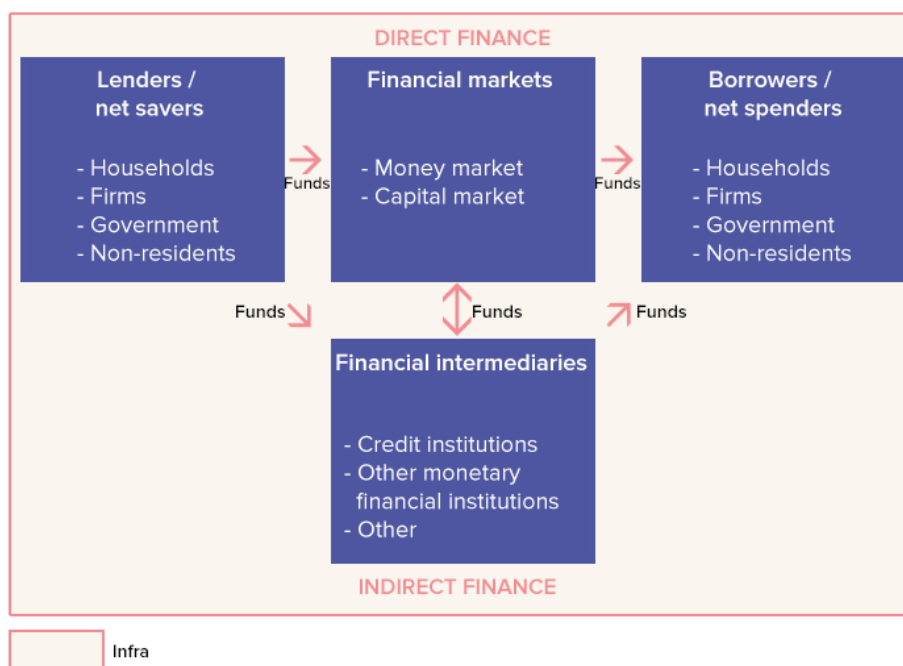


Figure 7 The Financial System in Brief (Bank of Finland 2016b)

There has been a decline in the number of banks in Finland during the past few years. In the end of 2015, there were 281 operating credit institutions and they employed 27 044 employees. Three biggest banks, Osuuspankki, Nordea and Danske Bank, have together 72.8% of the markets. These banks are also under the straight supervision of the European Central Bank (ECB) whereas all the smaller banks are supervised by the Financial Supervisory Authority [Finanssivalvonta]. The Finnish banking sector has gone through many changes during the past few years. S-Pankki and Lähitapiola merged and created one big competitor to the markets. Aktia ended the co-operation with Paikallisosuuspankki and Säästöpankki, which forced them to

start planning their own central banks. The annual general meeting of Nordea accepted to merge Nordea Finland, Nordea Norway and Nordea Denmark to the Swedish parent company and establish subsidiaries to other countries. (Pankit Suomessa 2014, 2-4; Pankkivuosi 2015, 2-4) The Bank of Finland operates as a bank for the banks. It implements the monetary policy of the ECB in Finland and provides banking services for different parties in the financial markets. (Bank of Finland 2016b)

Responsible banks exist around the globe. They might not be quite familiar in Finland. The Global Alliance for Banking on Values (GABV) provides network opportunities for these banks. It gathers leaders, who are devoted to make a positive change in the banking sector, around the world. GABV aims at making the banking system more transparent and supportive for economic, social and environmental sustainability. These banks concentrate on individuals and communities. Banks are deeply connected to these instances and they are aware of the externalities their activities create. (Global Alliance for Banking on Values 2016) There are some of these banks in Nordic countries as well. In 2010, Nordic Council on Nordic Co-operation rewarded three Nordic banks, which aim was to benefit the society around them while making profits. These banks were Ekobanken from Sweden, Cultura Bank from Norway and Merkur Andelskassa from Denmark. All these banks focus on long-term operations and helping the community where they operate while making profits. Their goal is to provide added value to their customers, whether it is ecological, social or cultural. (Funch 2010) Thus, this proves that responsible banks are able to succeed in rather similar economic environment than Finland has.

Savings Bank [Säästöpankki] was the case company in this research. In the end of the year 2015, it was the fifth biggest banking group in Finland and its market share was approximately 3% (Pankkivuosi 2015, 4). First Savings Bank was established in 1822 to Turku and it is the oldest banking group in Finland. Savings Banks were the first banks to offer services to everyone despite their social class. The goal was to teach people how to save. Advance the savings is still written in the Savings Banks Act and

it is the base for the whole savings bank's ideology. Even in today, the main idea of Savings Banks is to progress the well-being of individuals and communities. (Savings Banks Group 2016d) Savings Banks are functioning in retail banking sector and they are regional and local deposit banks. Their main customers are individual and business sector. Their main business is low-risk retail banking, and the focus is on daily business, savings and investments, and lending services. (Savings Banks Group 2016e)

Savings Bank Group has gone through changes during the past couple of years. The group is composed of Savings Banks Amalgamation as well as other companies and institutions, which are owned by Savings Banks Amalgamation. The Savings Banks' Union Coop is a central institution in the Amalgamation and it gives strategic direction to the whole group. (Savings Banks Group c 2016) The Savings Banks' Union Coop is responsible of everyday governance of the central institution. There are 23 different Savings Banks operating all over the Finland. Savings Banks also own Nooa Säästöpankki Ltd, which operates in the Helsinki area. (Savings Banks Group 2016e) Savings Banks group has nearly half a million customers, 150 offices around Finland and it employs over 1200 employees. Savings Banks group is part of the European Savings Banks community. Its solvency rate was 17,8% in the end of the year 2015. (Savings Banks Group 2016f, 1)

Mission of the Savings Banks is to advance the savings and financial well-being of their customers. Their operations concentrate on producing a unique Savings Banks' experience to their customers in all the meeting places. They do not chase quick profits but instead aim at knowing their customers, give them financial coaching and solving their needs. Their focus is on the community around them and they have integrated responsibility into their every operation. Their values highlight cooperation, responsibility, productivity and customer oriented approach. They also emphasize especially customer orientation and aim at using most of their working hours with customers. Customer should be able to reach them easily and they aim to be present in places where their customers are. Savings Banks also emphasize

responsibility. They treat customers equally and share part of their profits to the community. They do not grant mortgages which customers cannot handle. They cooperate with local schools and universities, and advance well-being in the community. (Savings Banks Group 2016f, 5-17)

The decision-making process in Savings Banks is divided into two separate systems. In the central association, there are three decision-making levels as Figure 8 shows. General meeting is often held once a year if there is no reason for an extraordinary cooperative meeting. This annual meeting goes through issues such as institution's income statement and balance sheet, and approve the group's IFRS financial statement. They also select the members for the Board of Supervisors and Board of Directors. For a one year term as supervisor, at least nine but at the most 35 members, are chosen. These members are the chairmen of each Savings Banks and their vice-chairmen are the deputies. Their task is to supervise the administration of the central institution. They also sustain and advance internal cooperation. The board of directors has at least 6 and at the most 9 members, who are selected by the cooperative society meeting and who often are professional directors of Savings Banks. Their term in the board is also approximately one year. They are responsible of the strategy of the Savings Banks as well as their internal cooperation. (Savings Banks Group 2016g, 4-6)

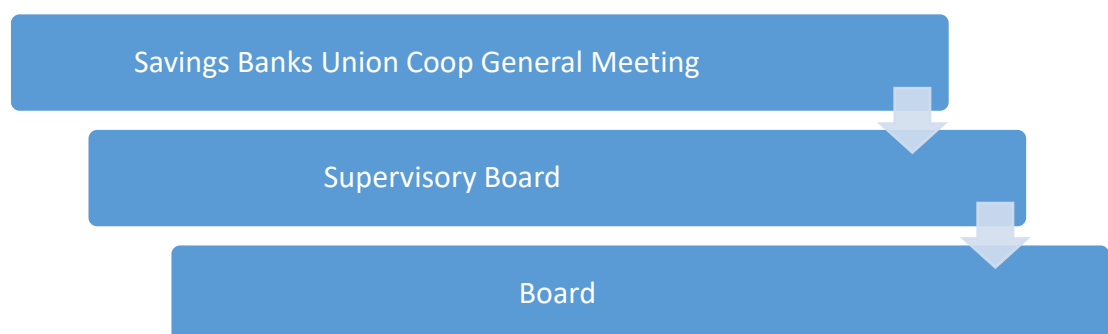


Figure 8 Central institution decision-making system (Savings Banks Group 2016g, 4)

In the savings banks the Masters' meeting or the annual general meeting has the highest power depending of the form of the Savings Bank as Figure 9 below shows. Masters represent the customers of a traditional savings bank as they are depositors and possible equity capital shareholders. Some savings banks are limited companies and in them the highest power is in the hands of the Savings banks foundation. General meeting or the Masters' meeting chooses the board of directors, which again is in control of the bank's operations. They also define and decide on strategic issues and select a managing director. A managing director is responsible of implementing the chosen strategy and taking care of the everyday management. (Savings Banks Group 2016g, 2-3)

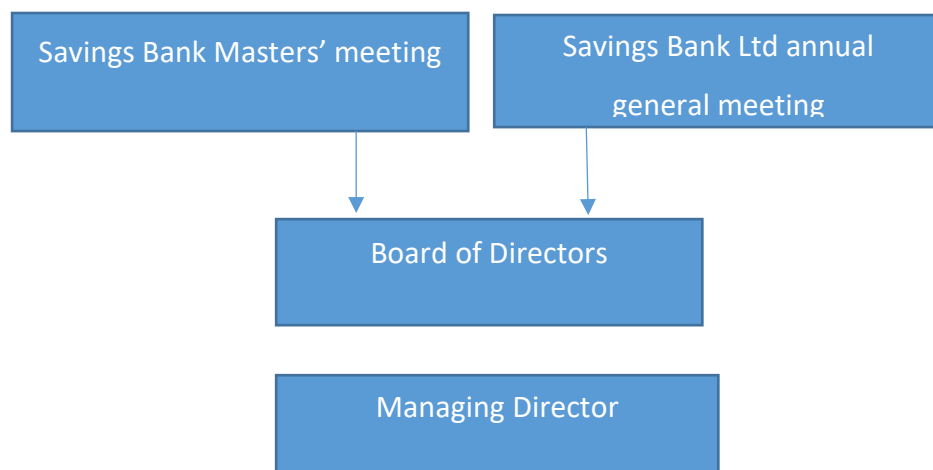


Figure 9 Decision-making in Savings Banks (Savings Banks Group 2016e)

3.3 Data collection and analysis

The research process started with secondary data. Secondary data is information that has been collected by others. It is often easier to access than primary data. (Collins 2010, 120-122) Secondary data can also be both textual and visual (Eriksson & Kovalainen 2008, 77). In this research the secondary data was mainly documentary. Data collection was mainly done through the internet by going through the webpages, annual reports and press releases of the Savings Banks Union and individual savings banks. There were also a few interviews found in different

journals and newspapers, which completed well the information found in the previously mentioned sources.

The secondary data was analyzed while it was being collected. Due to this, it was possible to decide at once whether the data was relevant or not. The data collected from the secondary sources was categorized into themes and sub-themes. The themes were selected according to the theoretical framework. The themes were the following:

- Stakeholders
- Furthering client prosperity
 - Customers
 - Positioning
 - Innovation and value chain
- Community well-being
 - Clusters
 - Supply Chain Financing
- Global challenges
 - Customers with social/environmental value
 - Impact investing

After dividing the data into themes, it was clear that the amount of secondary data was not sufficient. Therefore, in addition to the secondary data, primary data was also collected to fill in the gaps in the secondary data. Interview was chosen as a method for collecting primary data. It is an effective and practical way to collect information that cannot be found anywhere else. The interviews were held as guided and semi-structured as the questions were mainly “what” and “how” questions. This gave an opportunity to vary the questions and the wordings during the interview with the hope of obtaining as much information as possible. (Eriksson ja Kovalainen 2008, 78-79, 82)

All the interviewees were in the top management team. They were selected carefully due to their own personal position or the position of the savings bank that they

represented. All together three interviews were conducted between the 17th of February and 3rd of March. The interviews were all conducted by the researcher herself. One of the interviews were conducted through Skype and two were held face-to-face. The length of the interviews varied between 43 and 50 minutes. All of the interviews were recorded by using a mobile phone, which gave the researcher an opportunity to concentrate on the interviews. As Finnish was the native language of the researcher and of all the interviewees, the interviews were carried out in Finnish.

The theoretical framework and the secondary data formed the outlines for the themes and these stayed the same for the interviews. The themes formed frameworks and a base for the interviews even though the questions varied slightly in every interview. The themes were sent to the interviewees beforehand in order to give them an opportunity to familiarize with the topic. Due to this the interviewees were able to bring up issues that they considered to be important and relevant. The interview questions are in Appendix 1.

The data was analyzed by using content analysis. There are three ways to perform a content analysis. These are the content based, theory based and theory assisted ways. The content based way is founded on interpretation and inference whereas the theory based analysis is guided by a theme or mind map. The theory assisted analysis advances through the content, but theory assists the analysis. Earlier knowledge and theory is recognized, and these guide the whole analysis. (Tuomi & Sarajärvi 2009, 95-100) As the theoretical framework guided the interview questions and the themes, the theory assisted analysis was chosen. First, the data was divided according to the themes. After this, the data was processed with three steps. These were reducing the data, clustering it and creating theoretical concepts. (Tuomi & Sarajärvi 2009, 108-113)

The interviews were all personally transcribed by the researcher. This gave an opportunity to create a better understanding of the data and to see whether it would assist in answering the research question. All the interviews were transcribed shortly

after the interview. The transcription gave a total of 29 pages of data. After transcribing the data, it was processed in Excel according to preplanned themes. After this, the data was reduced in order to lose all the irrelevant data. This was done by coding expressions that were relevant to the research. Themes guided the data reduction. This meant that phrases and expressions were sought in the original citations. The original citations were mainly in Finnish, but the phrases and expressions were in English. When the data was reduced and original expressions were coded, the data was grouped. Thus, the researcher sought similarities and differences from the expressions and phrases, and these were divided into more compact categories. Table 1 below describes how this was done. After grouping the data, the relevant data was separated and theoretical concepts were formed.

Table 1 Procedure in data analysis, from original citation to reasoning

Customers		
Original citation	Plain statement	Reasoning
It is quite clear in the company side that when the company exceeds certain size its risk grows to be too big. It is SMEs and there the smaller ones such as self-employed persons and small business. They are the targeted segments, clear segments.	SMEs as a clear customer segment	Because with bigger companies the risk is too big.

3.4 Verification of results

Even though, the research aims at being a practical one, its results need to be evaluated. Reliability and validation in studies vary even though, the goal is to avoid mistakes. (Hirsjärvi et al. 2010, 231) The research is often evaluated through reliability, validity and generalizability. Reliability aims at finding out if someone else can do the same research and get the same results. Thus, can the results be repeated and to what extent. (Eriksson ja Kovalainen 2008, 291-292) Reliability proves that the results are not coincident (Hirsjärvi et al. 2010, 231). Validity defines that the results are true and that the explanation and description are accurate. Validity evaluates

whether the findings represent the phenomenon. There should also be evidence to support this claim. (Eriksson ja Kovalainen 2008, 292) Through validity, the researcher has ability to show that the research has been measuring exactly what it was supposed to measure. (Hirsjärvi et al. 2010, 231) Generalizability describes whether the research can be extended to wider context. Generalizability indicates that the case selections was well argued and grounded. (Eriksson ja Kovalainen 2008, 293) Reliability and validity has been developed in the first place for the quantitate research. Therefore, there are lot of interpretations of them in the qualitative research. (Hirsjärvi et al. 2010, 232) The research itself, aims to practical implications. Relevancy in the results is the goal. Reliability and validity are in the focus more than generalizability.

There are also other ways to assess a study. It can be evaluated through credibility, transferability, dependability and confirmability. Credibility assess if someone else can replicate the research and get relatively same results and interpretations. It also assesses the sufficiency of the data. Transferability aims on finding similarities in the results in this specific research compared to other previous researches.

Dependability assess that the information in the research is logical, traceable and documented well. Confirmability defines how well the interpretations are linked to the findings. There needs to be clear connection. (Eriksson ja Kovalainen 2008, 294-295) The research aims at concentrating to these assessment criteria. Due to the nature of the research, it is not easy to replicate. Thus, credibility will be taken into account by having detailed descriptions on the methods, which were used in the study. Sufficiency of the data will be covered by having interviews in addition to the secondary data. The theoretical framework is heavily based on previous studies and due to this there should be some similarities between these. Dependability will be taken into account through detailed descriptions and examples. Connecting the interpretations visibly to the results, covers confirmability issues in the thesis.

An intensive case study aims at understanding how a specific case works in its environment. In the case study, the emphasis is on interpretation. Yet, there are

some qualifications for case study. In order to be successful, a case study needs to be significant. In order to be significant, the case has to be exclusive, rare or of general interest. Issues, which it discusses, should be relevant and exciting either theoretically or practically. (Eriksson ja Kovalainen 2008, 133) In this case, the emphasis is more on practical side. The case and its context also need to be well defined in order for the case to be complete. At the end, the case should reach convincing results, which are research critically. (Eriksson ja Kovalainen 2008, 133) A case context is described well and widely. The context and the motivation behind the study provides insights to why the case is of general interest.

4 Research results

This chapter answers the research question, which was presented in the Chapter 1. The nature of the results is mainly interpretive and descriptive due to the nature of the research. The results concentrate on describing the phenomenon on its context.

4.1 Strategy in Savings Banks

Savings Bank strategy's core is the customer and the Savings Bank-experience that banks offer to their customers. Main issues in the strategy are locality, superior service and cost-efficiency. Strategy relies on availability regardless of the channel the customer uses. The importance of coaching the customer with financial issues is also emphasized in Savings Bank's strategy.

Interviewees were asked to describe what kind of role does megatrends have in their strategy process and how they are used. All of the interviewees agreed that megatrends set the frame for the strategy. Megatrends set the direction where the bank is going. They force the management to think their business environment and changes in it. Megatrends, which affect the customer behavior, are in the core as these have direct impact to the way Savings Banks need to alter their business. Megatrends are also used to detect changes within the industry. These might

include increasing regulations, opening up the industry and EU laws. These are also issues, which will affect the way Savings Banks are able to do business. Some megatrends are related to the Finnish society such as urbanization. These affect the whole Savings Bank group. Due to the megatrends, Savings Banks need to consider how to divide resources in order to answer the demand, and how to operate in regions where the demand is declining. Yet, timing is the key with megatrends and the ability to adjust your strategy accordingly. You need to be able to answer the trends with the right timing in order to transform them into a profitable business. Thus, megatrends are used in various ways. Some of the megatrends have more effect on a single Savings Bank but many of them affect the whole group. According to the interviewees, they give the direction and guidelines which way to change and when.

Meaning of values in the strategy also came up within the discussions. According to one interviewee, values are the base for everything in the strategy as they precede the whole strategy process. Values guide the strategy process and the choices you do. Savings Bank's slogan Helps always! [Auttaa aina!] also reflects the values Savings Banks have. One interviewee said that the slogan reflects the reality rather well. Everyone is treated equally despite their background and their situation. As values define the way of doing business, they are the same for every Savings Bank.

4.2 Stakeholders

The interviewees were asked to define their primary stakeholders. There was some variation in a way stakeholders were understood and how they were called. These also vary according to the area where Savings Bank operates and the interests it has. Every Savings Bank defines its own stakeholders. Yet, all the interviewees saw that the most relevant stakeholders were those who had the most power. Stakeholders were defined in long-term. Thus, timeframe was not seen as a factor, which would change the rank of the stakeholders.

Savings Bank group was mentioned by all interviewees as one of the main stakeholders. After the amalgamation, the co-operation has become tighter. Due to the amalgamation, other Savings Banks has a direct influence on one Savings Bank as they are liable for each other. For Nooa Savings Bank, this is emphasized even more, as it is owned by other Savings Banks. Due to the amalgamation, the needs and the expectations of other Savings Banks are highlighted and they need to be considered by every bank. Customers was also mentioned almost in every conversation as one of the biggest stakeholder groups. This view is also supported by the secondary data and the bank structure. According to the secondary data customers are at the core of the banks. They are emphasized in the law of Savings Banks. In addition, Savings Bank's mission states that the bank needs to advance savings and financial well-being of their customers. Bank's structure also supports this view, as the Masters are chosen from the customers. Customers are the biggest stakeholder as everything involves around them. Approximately 70% of the customers are individual customers and 30% are enterprise and farming customers.

Community and different levels of it was also mentioned as a stakeholder by one interviewee. Even though it was only mentioned by one, other interviewees circled around the same issue. The importance of the community was also emphasized by the secondary data. The well-being of the community is important for the Savings Banks as they are local banks. By being active with the customers, you are enabling more opportunities in the community. A bank needs to live side by side with the different structures and levels in the community and enable their operability. By doing this, a bank increases the viability in the community. Community and customers are closely connected to each other's as stakeholders, as local customers form local groups and associations, which create different structure and levels to the community. Banks need to operate with both of these levels; individual customers and the next level units these individuals form. In addition to these levels, there is also municipality, which is closely related to these both levels. Within these structures and levels, banks are able to discover opportunities for creating shared value. These structures are already rather well utilized. Yet, they could be utilized better in the search of a new business and creating shared value opportunities.

Interviewees were also asked to tell how they involve stakeholders in their strategy process, and are they used to detect new business opportunities. The only stakeholder group, which was involved in strategy process directly, was the Savings Bank group. The Savings Bank group sets the frames and directions for the amalgamation, but the strategy itself, is formed by individual banks. Top managers of different Savings Banks discuss and spar with each other's on strategies to make them better. There are also unofficial forums where they are able to discuss on strategy liked issues. Yet, only one interviewee mentioned that customers are indirectly involved in the strategy process, even though, they are one of the most influential stakeholders. Strategy is formed to answer the needs of the customers and they are the reason the business is done. According to secondary data, few selected customers are part of the strategy process in the role of a master in most of the Savings Banks. Masters are the ones who choose the government, which forms the strategy. In many ways, customers are a vital part of the strategy process. One interviewee mentioned that stakeholders are not written as part of the strategy, even though, they have great influence on it.

Savings Banks have well identified the most relevant stakeholders. In discussions with the interviewees, different partners and the press were also mentioned as stakeholders, but not as primary ones. Social or environmental needs can be found from the primary as well as outer or secondary stakeholders. These needs can be transformed into new business opportunities. Even though, stakeholders are well known and identified, they are not actively studied from the perspective of finding new business opportunities. Active communication and interaction with the stakeholders, both primary and secondary, is the key on discovering the societal needs a bank could participate in. This interaction also guides, which of the ways to create shared value, suits the best to meet these needs. There is no needs for a bank to utilize all three ways to create shared value, but to choose the ones, which suit them the best.

4.3 Furthering customer prosperity

Furthering customer prosperity is an area where Savings Banks are rather strong with. One interviewee stated that this is an area where they want to be strong and what they are developing constantly. In the discussions, it was quite obvious that the same principles were applied to current and potential customers. In the heart of this, is the value proposition and it was also discussed with the interviewees. The focus was on the customers and their needs.

Value proposition

Interviewees were asked about on their criteria what they use in choosing their customers. Every Savings Bank defines their own customer criteria and choices. This might vary even within the bank according to the operating environment. The quality of the customers came up within the discussion as one important factor. Even though, many Savings Banks are aiming for growth, this should not be done at all costs. Quality in the customer base needs to be remembered. In many cases, numbers and figures rule in the decision making. However, the basic idea is that no one is ruled out and everyone is welcome to have talk. When asked if there were clear customer segments, all the interviewees mentioned some. Main customer group for Savings Banks are private customers. As mentioned earlier, approximately 70% are individuals and the rest are SMEs. With private customers, the emphasis is on active-aged families, who need mortgages, and on savers and investors. Within the interviews, especially one customer segment, investors, was mentioned separately by the interviewees. One interviewee mentioned that this group has been forgotten even though the bank's name refers to these customers. Within this segment, the bank still has lot to conquer and, therefore, the emphasis is there now. In the company side, the customer segments were clearer. According to one interviewee, after a company has grown too big, its risk is too big to have. All the interviewees mentioned that they are after SMEs and from SMEs the smaller ones. The idea with SMEs is to have more smaller ones than few big ones. There are some industries, which are ruled out. Otherwise, there are no restrictions concerning the companies as long as the size and the risks choice are proper. Locality also came up within the discussions. Savings Banks are concentrating on local SMEs as they know

them and their operating environment the best. In the core of the SME should be entrepreneur and his/her family. With both individuals and SMEs, the goal is to have customers who concentrate their whole financial entity to Savings Banks. Focus is not on having customer who have one or two services but an overall customership. Through this, the bank is able to provide more value to the customer.

According to the secondary data, there were some separate cases where certain customer groups were emphasized or services were reached to new underbanked segments. One example of this is the Savings Bank of Eurajoki and the student association Sammakko, which started a co-operation. The bank created a service package, which fit the needs of the students. The goal is to advance the financial well-being of the students during and after the school. Another example is Nooa Savings Bank, which participated in a Start it up-convention. It was meant for asylum seekers who were interested in starting their own business.

The interviewees were asked to describe the needs they aim at filling for the customer segments they have chosen. The overall goal is to serve the customer as well as possible from the customer's perspective. When this succeeds well with several customers, financial equation will follow. Mainly the needs were not considered beforehand. Instead, every interviewee stressed that they were sought through customer meetings and by mapping the needs separately for every customer. Needs were mapped by going through the customers' life cycle. This is done by using Oman talouden tuokio (Time for your own finances), which works as a tool for mapping the needs. Needs to fulfil should be actual customer needs and not something the bank needs to sell. Tool for mapping the needs is mainly for individual customers but to some extent it is also used for SMEs. Even though, the needs were mapped mainly separately to every customer, there were few common needs. These needs also guide their customer choice. Savings Banks have detected that SMEs are mainly ignored by the bigger banks. Their needs are not answered and they need to handle company's issues in one place and personal issues in another. Another trend Savings Banks have noticed is a need for personal service. Even though, digitalization

is growing quickly, customers still wish that there is a person on the other side of the line. In a way, it is a counterforce for the digitalization. Savings Bank law also defines that banks need to advance the financial well-being of their customers. Becoming wealthy is a goal for both private customers and SMEs.

Mainly the secondary data gave examples how these needs were answered. Savings Banks' goal is that the staff spends most of their time with the customers. This is possible due to the digitalization and the group structure. Aim is also that the staff is easy to reach. They also offer customers other meeting points than just the office. A good example of this is Nooa Savings Bank, which set up a pop-up bank in Munkkiniemi. The aim was to get closer to the customers and to provide them an easy access to the bank. To be able to advance the wealth, Savings Banks provide different tools for the customers. One example of this is FinanssiVahti (Financing guard), which works in the internet bank. It helps customers to follow their finances and to make plans for the future. One interviewee mentioned that the needs were best answered by the customer service, which concentrates on the entirety.

In overall, all interviewees were more specific with the customer choice in SMEs. It has obviously been considered a lot. Savings Banks had noticed that SMEs were underbanked in many cases and they had clear needs. They answered these needs by offering comprehensive services for them by serving both the entrepreneur as a person and his/her company. Yet, in private customers, the customer choice was more extensive and it has not been narrowed down so well. The emphasis on customer groups varied mainly due to the operating environment. However, the quality of the customers was stressed by the interviewees. By being more specific with the customer choice, it would be easier to focus on quality and filling the needs of these customers. The secondary data showed that there were some experiments on extending services to new customer groups and trying co-operation with local partners. These show innovative ways of finding new business opportunities from unconventional groups. Yet, the overall needs were answered quite well. The services were developed in accordance with the needs, and this has succeeded quite

well. In addition, studies support this as Savings Banks has been one of the best banks in Finland in customer satisfaction comparisons.

When asked on the value proposition, every interviewee said that they cannot be price leaders as it is based on a scale. As Savings Banks is a small bank, it cannot compete purely with the price. However, it is not decided beforehand. Price is formed in the conversation with the customer. In the end, the figures and numbers will influence on the price. Interviewees were asked how often they evaluate their value proposition as an entity. According to one interviewee, it is estimated all the time, but thoroughly once a year with private customers and with SMEs. All the interviewees stressed the importance of the values as a base, but operating environment still guides the value proposition to some extent. Figure 10 shows the growth in customers in Savings Banks from 2014, when the amalgamation was formed, to 2016. There is a slight growth in the number of customers. This shows that the customer choice has been working and the needs of these customers have been met well. In addition, the division between individuals and SMEs is visible in Figure 10. One interviewee mentioned that the goal is to find customers who look like the bank. By this the interviewee meant, that bank has an opportunity to fulfil the customer's needs. At the same time, there are lot of customer who do not look like the bank. As the bank is rather small, it does not need to win every customer. Saying no, is something they have been learning to do. Customers have lot of needs and also choices regarding a bank.

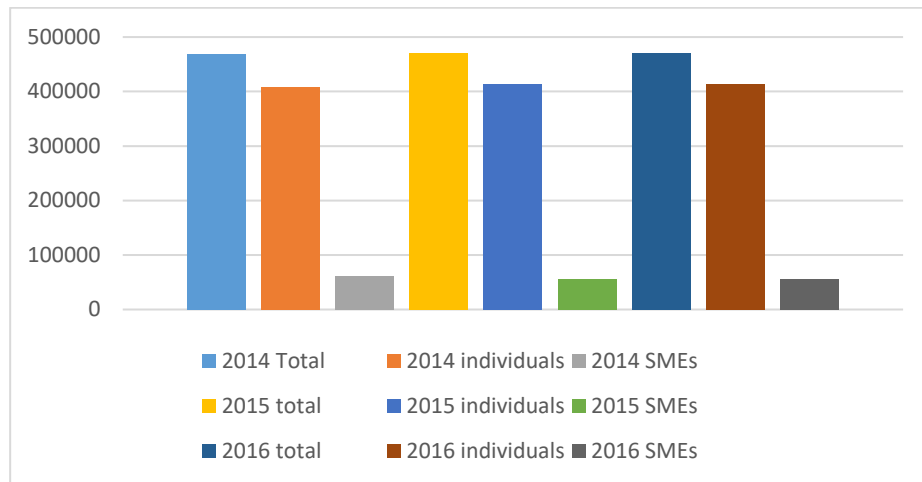


Figure 10 Growth in customers 2014-2016 (Savings Bank group 2014; Savings Bank group 2015; Savings Bank group 2016h)

The interviewees were asked to describe issues, which affect their credit assessments with SMEs. The goal was to find out whether they base decisions solely on figures and numbers. Moderation in risks choice was emphasized in credit assessments. Interviewees stressed the importance of the numbers, figures and profitability of the SME. These are issues, which they go through many times with the SME. Interviewees also said that the history and the future insights matter in the credit assessment. In addition, an important factor is also the entrepreneur as a person. The way entrepreneur takes care of the business and what the culture is like within the SME, are considered in the credit assessment. Also, characteristics such as capability to implement, and the expertise and the experience within the industry are assessed. As a decisions based on figures and numbers is based on facts, the assessment of the entrepreneur is based on subjectivity. The interviewees were asked to describe how they train staff for the subjective assessment of the entrepreneur. They mentioned that it is done through experience. Seniors are teaching and training the less experienced ones, and this is done case-by-case. It seems that the assessment criteria are based on facts, but the subjective assessment has some influence to the decision. Thus, credit assessment is mainly the same for every customer and it is not altered according to the stage where the company is.

Positioning and value chain

The interviewees were asked to describe the positioning of the bank. Firstly, it was mentioned that the banking group is rather small. Savings Banks are the 4th biggest bank in Finland and in some areas even smaller. However, it was mentioned that the group might appear to be bigger. Positioning supports the growth strategy the group has. Especially in bigger cities where growth is vital. It also supports the customer acquisition and a good customer service.

Ways to differentiate were also discussed with interviewees. According to the interviewees, it all comes down to resources and where the Savings Banks are good at. Through this consideration, they are able to distinguish ways to differentiate. Savings Banks are not able to compete with price as it requires scale advantages. Products are easy to copy and they are quite regulated. Yet, they do not offer competitive advantage. Promotion differs from the competitors to some extent. It is not so conventional and it emphasizes more persons. Though, it is not possible to put loads of money to it. The interviewees were all unanimous on that they can differentiate on the place, and by looking at it wider as an availability, a way to act and as a distribution channels. Through this, they are able to position differently and this is done through small things. Savings Banks differentiate themselves with the service experience, which they call the Savings Bank experience. This means that the customer is in the core and cost-efficient services are offered close to the customer. Thus, locality and availability are emphasized. There are some good examples how this has been carried out. Nooa Savings Bank has opened up a few pop-up branches to different locations in Helsinki metropolitan area. The goal was to take the services closer to the customers. Banks also offer different meeting points for the customers. They have an opportunity to meet the bank officer where it suits the customer best. Positioning has worked as Savings Banks have good evaluations in national customer satisfaction polls.

Savings Banks have decided to position through differentiation rather than a price. Services are executed in different ways than competitors do. They are strongly

present in the local community. They have many branches in small towns where many competitors have closed down. Pop-up branches offer Savings Banks opportunities to target certain customer groups by taking the services closer to the customer. Yet, this should be done more. Pop-up branches are used only by a few of the Savings Banks. This offers them great way to reach new customers and connect better to the community. The service experience should also be developed further. By giving customers the opportunity to choose the locations where he/she wishes to meet makes it more convenience for the customer to meet the banks officers. This improves the service experience. Oman talouden tuokio [Time for your finances] adds value to the customers through the visualization. Also, the customer is involved in the meeting which again adds value to the service experience. All the interviewees thought that Savings Banks have succeeded well in the positioning, even though, it is not the easiest way to do it.

The interviewees were asked to describe how their value chain is formed to suit the positioning and the customer segments the best. In the value chain the Savings Bank concentrates on performing activities differently. Positioning provides new opportunities for the value chain and they support each other. Customer satisfaction and expectations emerged in the discussions as the core for the value chain. These are met by extending the service times and developing the structure of the group. Savings Banks back office starts taking care of the quick issues and the phone more than before, which leaves more time to the office for customer meetings. Yet, there is a danger of losing the competitive advantage of personal customer service, which is the Savings Banks way to differentiate. In the value chain the core is still face-to-face meetings and customer encountering, which is the norm. Savings Banks are excellent with these.

The importance of e-services is, however, growing all the time and it is one of the quickest growing customer channel for Savings Banks. Therefore, emphasis on it is strong. Challenge is to integrate the e-services into the value chain in a way that they do no change the customer experience and the way of meeting a customer. All the

interviewees highlighted that there must be a person also on the other end of the line. The core idea is that the customer has to have the same experience regardless of the channel he/she is using. The channel cannot be the factor which differentiates. If it is, you will be competing with the big competitors on some app development and this is not possible for the Savings Banks. E-services provide opportunities for Savings Banks. They aim for well-functioning, but also convenient and easy to use e-services. They also offer tools for handling one's own finance and tools for coaching with financial issues. A good example in Finanssivahti [Financing guard], which helps to follow your own financial situation in the internet bank. E-services are mainly developed by the Savings Bank union and an it-house, which the group partly owns. Development starts with the main idea that the customer needs to have the same feeling and experience in every channel. There are also megatrends used in developing these as well as customer polls.

Observing the value chain and developing the e-services requires innovation. The secondary data showed that Savings Banks have a lot of different types of events. Aito Savings Bank e.g. states that every branch needs to set up at least one event in every few weeks. These events can be e.g. lady's nights, info for taxation or participating an exhibitions. One interviewee mentioned that events aim at increasing the awareness of the bank and to reach new customers. Interviewees were asked to describe how innovation is seen in their bank. It was discovered that even though the company culture in the bank is positive for innovations, the source is often one person in the bank. This person can be marketing person or someone in the top management team. Others are not especially encouraged for innovations. In developing the value chain and e-services, or coming up with new events stakeholders could be involved more. Especially staff and customers. Staff might have good insights from their own operating environment, which the top management might not have. Customers as end users and the most important stakeholder group, are the reason these are developed, and the events are held. Also, the community structures might give good ideas on how to develop services to fit the changes in the community better.

In overall, furthering customer prosperity is in the core of the Savings Banks. Customer segments are such that the bank can reach them well and add value to them. Savings Banks could be braver in finding new ways to reach the targeted customers. Good example of this is the Savings Bank of Eurajoki and their co-operation with the student association SAMMAKKO. Tailoring services to meet the needs of the students, they are able to form strong relationships with them, which might last in the future. Savings Banks have been discovering important needs and they have developed innovative ways to answer these needs. Yet, stakeholders and structures in the community could be used more to identify needs as these needs could be turned into business opportunities. Savings Banks have found factor through which they can differentiate. Customer experience is in the core of everything. Value chain and services are developed accordingly.

4.4 Fueling growth of regional economies

In the secondary data, the importance of the local community came up. Advancing the well-being and the wealth in the community were important issues. The secondary data emphasized also a statement that the bank is doing as well as the surrounding community. The interviewees were asked to describe what local community and its well-being means for the bank. One interviewee simplified that the bank is not a separate of the community. If the community is not doing well, it reflects the bank automatically. If the community is doing well, the bank is doing well as they are interconnected. The bank needs to live in the same beat as the community does. Savings Banks need to be actively part of the community and support it constantly. It is small things the bank needs to do for the community. That can be e.g. being on a stand on the weekend markets or renovating the offices by using local contractors and designers when the money stays in the community. Co-operation with Universities and Universities of Applied Sciences came up as a way to support local communities in the bigger cities. This can be seen e.g. as offering gig jobs for students. What the interviewees all emphasized, was the importance of knowing your own operating environment. One interviewee mentioned that the office managers are responsible for their own operating environment. They do at least once a year an analysis on their operating environment and for the past few

years also the staff has been participating. As a local bank, it is vital to know your environment and the surrounding community.

Even though, locality and surrounding community is important for Savings Banks, clusters were not familiar for the interviewees. They were mainly used in speeches, but not in the reality. At least, they were not concentrated consciously. One interviewee admitted that they should be concentrating more on the clusters. The interviewees said that they have micro applications of clusters. There are some industries in which Savings Banks are stronger. These industries can be seen as clusters. Some savings Banks are also concentrating on franchising business and the logic of franchising business was seen as a cluster. Even though, these are good starts, clusters could be thought further. One interviewee said that they are participating in different campus and centers where small companies operate. One good example of this is Nooa Savings Bank's pop-up branch in Mothership of work (MOW), which is small co-working space in Helsinki. This is a step closer to the clusters.

Savings Bank Research foundation donates money to schools for research purposes. Schools can be part of the clusters. The interviewees were asked whether they exploit schools as a way to find and study clusters. None of the banks exploited the schools for clusters. One interviewee admitted that it could be one option, but it is an untapped opportunity. The interviewee continued that they could be used for e.g. wood industry clusters or for welfare cluster. In some places the bank could even be assisting in the cluster development according to one interviewee. As an example, the bank could be assisting a welfare cluster for elderly people in some dying communities. It would bring liveliness to the community and attract new citizens. It would help the community and the people living there as well as the bank. Through it there would be opportunities to have new SMEs and individuals as customers while helping the community. This would be participating in a cluster in a large scale. Even though, environment is studied and banks know it well, clusters are not exploited. Customers are chosen case-by-case without looking at the bigger picture. Savings

Banks have good opportunities to go more into clusters. They would need to be studied more carefully. With that, they could co-operate with local schools and tighten the co-operation. Clusters would support Savings Bank's goal of bringing well-being and vitality to the community. Through clusters, banks could be able to gain new customers and support the locality. However, the bank needs to remember not to concentrate merely on one cluster as it could be risky.

The interviewees were also asked on supply chain financing. The concept was not well known to most of them. Thus, it has not been used in Savings Banks. Some restrictions to the supply chain financing brings the fact that Savings Banks are concentrating on SMEs, and mainly for the smaller companies. Yet, they might also have needs for supply chain financing. The interviewees said that they have recognized as a trend that the bigger the company, more delayed the payment. Due to this, smaller suppliers have been forced to operate as a bank for the bigger companies. Bigger companies also have many suppliers in line and, therefore, they have an opportunity to change the supplier easily. Savings Banks have answered to the needs of the smaller companies with the help of a working capital. The supply chain financing could help these customers as well. Of course, it is harder to start with the supplier rather than the buyer. There can also be SMEs, which have difficulties with their own supplier and with these, the bank is able to help rather easily.

To be able to expand services to supply chain financing, Savings Banks need to find a partner for it. This is one reason why this has been delayed. Partner needs to be good as the bank relies on it completely. Customers' supply chains have not been studied at all. Thus, Savings Banks do not know if there is need for this service or not. The bank is concentrating on single customers and not the supply chain of a customer. The supply chain financing would bring flexibility to customer's cash flow and working capital. It also provides a bank a great way to reach new customers. It would also support locality.

4.5 Financing solutions to global challenges

Financing global challenges was the hardest section for all interviewees. They were asked to describe what kind of global challenges a bank could participate in answering. This has not been thought through in Savings Banks as their focus is more on local challenges. Every year they have campaign where customer can vote some local object where the local Savings Bank will donate part of their profit. In addition to this donation and traditional financing, social or environmental challenges are not answered. One interviewee mentioned, that if the bank would answer these challenges, it would be best done through the whole Savings Banks group. That way it would have more weight. Another interviewee also mentioned that having a bank, which only focus is on social or environmental challenges, is quite hard. After receiving the license, a bank get loads of claims, which it needs to fulfil in order to maintain the license. Finland is also rather small country for a bank like that.

The interviewees were asked if they are focusing on customers, which provide social or environmental benefits. There was some variation among the interviewees how this was seen. Some interviewees thought that this is not possible as other's reception to this was positive. However, all the interviewees were unanimous on that so far there is no such customer choice or at least it has not been recognized. The customer choice has been done mainly through negation; industries which possess risk for reputation are forbidden. Some interviewees saw customer who provide social or environmental benefits as a natural way to expand business to new customer segments. The bank could support the company e.g. by financing it, but the support could also be something else. One interviewee said that this would now be possible due to the way organization is now formed. The concept Savings Banks have offer an opportunity to move this way. However, there is doubt that will these customers make enough profit to pay the bills. These types of customers would fit the strategy and the positioning the bank has very well according to the interviewees. They would support each other. So far, there are no studies done whether there would be these types of customers in the operating in the surrounding community. According to one interviewee, the key issue is to

concentrate on some industry as you cannot be involved in everything. After studying and deciding the industry, you need to systematically get involved in that. The interviewees were asked to describe what kind of changes this would require in the staff. It would require training for the staff or an outside person. Staff needs to know the industry and be capable of recognizing opportunities in it. The industry should be followed and studied constantly. When the time is right, the bank needs to be able to be first one participating. These can be small project as bigger ones are often quite expensive. Know-how of the staff and the ability to get involved right away, could provide competitive advantage for the bank.

Impact investing as also discussed with the interviewees. All the interviewees said that the most natural way to do this is through Sp-Fund Management Company. There have been discussions on this every now and then inside the group. Sp-Fund Management Company has a person whose specialty are ethics in funds. Ethics is raised up every time new funds are discussed. One interviewee mentioned that there is no actual need to even set up a new fund as Sp-Fund Management Company can partner up with others who provide these funds already. The interviewees saw as an obstacle the number of potential investors. Though, they have not studied the customers' needs for this kind of investing options. The interviewees also agreed on the importance of the profit. It is not enough to have a fund, which invest in ethical way, if it does not make any profit. The interest of potential investors would quickly fade without the profit. One interviewee mentioned as a more probable way for impacting, a financing programs by Finnvera, The European Investing bank or some other special financing company. These offer loans for banks to re-loan them forward. These loans have often some special conditions and terms, which include some social or environmental aspect. However, they were not used yet.

Altogether, both options, concentrating on customer who provide social or environmental value, or impact investing, would support the Savings Bank's strategy quite well. Extending services to new ethical customer segments would be the most natural way to meet the coming challenges. This would also support the locality, if

these companies are found from the bank's operating environment. Setting up a new fund, which is ethical could bring new investors to Savings Banks. Nevertheless, many banks offer these already. The challenge is how to differentiate with these funds.

5 Discussion

The research studied creating shared value in the banking sector. Due to the last financial crises, customers' trust in banks have changed. The distance between banks and society has grown. Creating shared value could be a solution for bringing banks and society closer to each other while giving the bank new business opportunities. There were some earlier studies done on shared value in general as well as shared value in banking. Yet, they were mainly concentrating on a huge multinational companies. Therefore, as a research case was chosen a rather small Finnish bank called Savings Bank [Säästöpankki]. The research was done from the bank's point of view and more specifically from the management's point of view. The objective of the research was to study how creating shared value is used in the Finnish banks and how to better integrate it into the strategy of a bank. The research question was

How can creating shared value be better utilized into the strategies of the Finnish banking sector?

An intensive case study was chosen as a methodology. The focus in an intensive case study is to investigate the phenomenon in a real-life context. The data for the research was gathered from the secondary and the primary sources. The interviewees were used as a method to gather the primary data. It was analyzed by using the content analysis.

5.1 Answering the research question

The research aimed at identifying the stakeholders the bank had. Stakeholders lay the ground for the social and environmental opportunities. The bank had a clear vision of its main stakeholders. There was some variation between banks, but altogether, the main stakeholders were the same for everyone. Even though, they were well identified, they were not used to full potential. They were not used to search social or environmental gaps, which the bank could turn into business

opportunities. Especially, outer or secondary stakeholders were forgotten completely. The environment was studied rather narrowly from this perspective. Megatrends in the strategy were also touched in the discussions. They were used basically on three dimensions; customer behavior, industry related and Finnish society related. All of them are closely connected to each other. Savings Banks use these as a frame and guideline where the business is going and when is the best time to make changes. All the detected megatrends have an effect on social and environmental conditions. They were not seen as opportunities but as mandatory forces, which effect the strategy. Due to this, they were not used as well as they could be used.

There were three distinctive ways to create shared value. The bank needs to discover, which one(s) suit the best for them and then advance with those. Yet, the research showed that all of the ways to create shared value could fit the strategy of Savings Bank, to least to some extent. The bank's resources and know-how as well as the needs of their stakeholders, effect on the choice. The research aimed at finding out whether the principles, which work well with multinational banks can be integrated into a smaller size Finnish bank. As the results below show, these fit the strategy rather well. It was clear that furthering customer prosperity was something Savings Banks were good at. This is also where they wish to be good. Value proposition was discussed with the interviewees. In total, customer segments were quite clear. In SMEs the focus was strong, but with private customers it was not that clear. Segmenting varied according to emphasis within the customer groups. Nevertheless, Savings Banks fulfilled the needs of their customers, they wished to meet, quite well. Overall, they wished to have customers, who would centralize their whole financial entity to Savings Bank. Through it, the bank is able to add value to them. Competing purely with price is not possible, due to the size of the bank. Therefore, positioning was done through differentiation. The core was the customer experience, the Savings Bank-experience. This meant availability, closeness to the customers and locality. This has worked well as there has been slight growth in the number of customers. The value chain also supported the positioning. Services, especially e-services, were developed in line with the positioning. The strategy guides

the value chain strongly and through the services, Savings Bank wishes to add value. This was clearly the right way for Savings Banks to create shared value. They have been able to increase the well-being of their current customers by being available and serving them well. They have also been able to reach new SMEs as they have seen that this customer group is often underbanked. Through development in the value chain, the bank will also be able to reach new customer groups easily.

The second way of creating shared value, fueling the growth of regional economies, was also considered in Savings Banks to some extent. In the interviews the meaning on local community was emphasized. Without participating actively in the community, it is hard to be close to the customers. It is not enough to have an office there. Yet, it was specific actions in the community that the bank had and did in order to be involved in the community. It was not looked as an entity. The interviewees were asked on clusters, as they would provide a way to support the community and to increase the business opportunities for the bank. The bank has some micro applications of clusters but these were not exploited to full potential. The focus was on a single company operating in the community. Supporting the clusters, the bank could increase the liveliness in the community as clusters could e.g. attract new talents to the community. This gives the bank opportunities to attract new customers. Thus, Savings Banks need to study and use clusters more and look at the community more widely. Supply chain financing was not familiar to the interviewees. Savings Bank would need a partner for it and this has slowed the process down. Due to the segmenting bank uses, they should use supply chain financing innovatively as it is mainly a service of bigger corporate banks. So far Savings Banks have concentrated only on a working capital. However, they have not studied if their customers would have need to supply chain financing. Again, the scope is rather narrow and the bank could benefit of widening it.

Third way of creating shared value was through financing solutions to global challenges. This has not been really thought of in the Savings Bank. The interviewees were struggling to find challenges they could answer as a bank. The most natural way

to do this was through customers who provide social or environmental benefits. Yet, there were some disputes of this as well and not all saw this as a realistic way to grow. Nevertheless, it would fit the ideology of Savings Banks well and support their current strategy and positioning. It would provide a way to reach new customers and support the community's well-being. Though, it would require investment from the bank to train their staff and by providing them with the needed resources. Another way to face these challenges is through impact investing. All the interviewees agreed that this is best done through Sp-Fund Management Company. The interviewees admitted that there has been discussion on the ethical funds every now and then. As a challenge, they saw the small number of potential investors. They also agreed that if the fund would not make profit, the investors' interest in it would end. However, this shows that they have not studied the needs of the investors. They have not discovered what the investors mean by social good in concretely. By discovering this, the bank can make a decision on the intensity and range of the impact, and also consider the risk profiles for financial and impact risk. This way they know that their funds answer the needs of the investors. Thus, impact investing suits better investing and private banks where the number of investors is bigger.

5.2 Comparing results with earlier literature

According to Freeman's (1984, 24-25) stakeholder theory, stakeholders can be defined in many ways. As a common factor is the ability to affect an organization. Freeman et. al. (2010, 9-10) continues that the goal is to provide as much value as possible. There are primary stakeholders, which have the power to support a company, and the secondary stakeholders, which can be affected by a company (Garvary & Johansson 2010, 739; Freeman et al. 2010, 24- 26). The study supported the view that stakeholders are hard to define, and they can be defined in many ways. It was clear that the position and the operating environment affected to the stakeholder definition. Literature also claimed that a bank needs to be proactive and involve the stakeholders in the development of a bank. (Tomic & Reading 2012; Nestle 2016) To some extent the research supports this view. However, the research shows that the time frame does not play such a significant role if the stakeholders are otherwise well identified. Some of the stakeholders were actively involved in the

development projects. It is all about choosing the ones, which to participate, and to participate them well.

Literature on creating shared value concentrates mainly on Porter and Kramer's work of it. The overall idea is to create societal good while creating economic value.

Managers have a big role in this as it should be managed through strategy. Thus, it requires skills and know-how from the management. Without managements' commitment to the issues, a bank will struggle to create shared value. (Porter & Kramer 2011, 64) As the research was done from the management's point of view, it supports this fully. If the managers are not committed to creating shared value, it will not succeed. It needs to be integrated to the core processes of a bank.

Managements' ability to communicate it clearly to the staff and other stakeholders is vital.

There was also a study made on shared value in banking sector and this worked as basis for the research. Furthering customer prosperity was the first way to create shared value. Mainly this is for retail and commercial banks. (Bockstette et al. 2015, 10) Research supports this view. However, the ways to do this would fit also to e.g. corporate banks to some extent. Therefore, this should not be seen too narrowly. Original study concentrating on to supporting the financial health of the current customers, and by extending services to new individuals and SMEs. It identified delivery channels, credit risk assessment and lack of understanding the customer's needs as the barriers. (Bockstette et al. 2015, 10-11) Research integrated the importance of the value proposition to the research. Customer's needs can be understood better by going all the way back to the beginning, and starting with the customer groups. The study also discovered the importance of innovation. It creates opportunities to answer the needs better and to find better delivery channels. Bockstette et al. (2015, 11) emphasized the meaning of SMEs. They suggested that their credit assessment should be changed to focus more on so called softer values such as entrepreneur's level of commitment. To some extent the research supports this. SMEs were also emphasized in the research. This might also be due to the size of

the case bank. Savings banks also concentrated on so called softer values, but in the end, numbers effected more. The study highlighted the importance of positioning, the value chain and e-services, which were not emphasized in the original study.

The second way to create shared value was fueling the growth of the regional economies. The original study emphasized on supply chains and moving beyond individual customers and transactions. This was done through clusters and supply chain financing. These tools suited the best on commercial and corporate banks. (Bockstette et al. 2015, 12-13) What the research emphasized more than the original study was the importance of local community basically in everything the bank does. A bank has an opportunity to bring liveliness to the community and support its revitalizing. The study showed that especially clusters can also suit smaller banks, even though, they were not used by the case bank. The study showed the importance of understanding the scale of the cluster in order to fully exploit it. The study supports the view that the supply chain financing fits best the corporate banking where the customers are bigger. For a smaller local bank, where the emphasis is on SMEs, this is problematic. Even though, they have recognized the trend with the payment terms. It requires innovation to transform it to suit the needs of SMEs.

The third way to create shared value was by financing solutions to global challenges, which is the most relevant for investment and private banking. The original study identified mainly two ways to do this; concentrating on customers that deliver social or environmental benefits or impact investing. To be able to attract customers, which provide societal benefits, a bank needs to be proactive and target the whole sector. (Bockstette et al. 2015, 14-15) The study supports the view that impact investing is mainly targeted for investment and private banking sector. Yet, there are some ways for a smaller bank to do this, but there is a challenge of finding enough customers. However, attracting customers, which provide societal benefits, can also suit smaller banks. It requires resources and training, and the project needs to be smaller one. Still, it has an opportunity to provide competitive advantage for the bank. This is

supported by the resource based view, which states that resources can be a source of sustainable competitive advantage when they are rare, valuable, hard to imitate and there is no corresponding substitute for them. (Barney 1991, 101-102, 105-111) Overall the research shows how theories from strategy can be implemented to the shared value creation. Literature on strategy supported the study all the way. The study also showed how strategy and creating shared value are interconnected, and how strategy theories help to conceive new business opportunities and ways to answer them better.

5.3 Managerial implications

There many societal issues, which municipalities cannot take care of their own anymore. This causes struggling in the communities. The financial crises have increased this struggling even more and it still effects. It has also caused the distance between the banks and the communities to grow. Regulations and different payments, which the banks need to fulfil, increase all the time. Due to these reasons, the study is believed to be interesting for managers of different banks. It helps them to understand different ways they can participate in the community while benefitting from it at the same time. In the long run, it could decrease the regulations and different payments. The study also aimed at providing new ideas for the management and hopefully succeeded in it. The study can also help them to find new business opportunities and ways to advance their services. The study is also useful for smaller banks and companies, and their managers. In the previous studies the examples have often been big multinational companies. This study shows that the same things can be done to some extent in a smaller scale by being active and innovative.

The study is also helpful to some level for municipalities, which are struggling with the societal challenges. It offers them ways to increase the co-operation with new parties and to solve societal problems in new ways. The study shows also how banks and companies increase the well-being and liveliness in the community by attracting new residents. The study is also believed to be interesting to schools. It displays few

ways for banks and schools to increase their co-operation. A bank could really benefit from studies done in schools.

Even though, the study concentrated on one unique case, there were some features, which can basically be used in every bank regardless of the structure and the size. Yet, the structure can enable some features to be utilized better than others. The study discovers ways to integrate creating shared value into the strategy. However, it also shows, that there is no need to do everything. Key is to choose the one(s), which fit your strategy, organization, environment and goals the best. The core of the research is to show ways to connect with the customers, community and stakeholders well and be interactive. Managements' capability to be involved and communicate with stakeholders is vital. Ways to be involved in the community could also be shared more. Describing these more detailed could increase the understanding and the interest. This could in turn, raise new needs, which can increase the growth of a bank.

5.4 Limitations to research

As one limitation in the study was the access to the data. The secondary data was collected from public sources and it was not sufficient. Having access to banks' strategies would have helped to study the topic more detailed. This limitation was partly confronted with the collection of the primary data. Even though, the interviewees were carefully chosen, there should have been more interviews done to have better overall view of the Savings Bank group. There should have been managers of different location as they should have had other viewpoints. In addition, the inexperience of the researcher to conduct interviews can be seen as a limitation. Even though, the interviews went quite well, more experienced interviewer could have had more out of them. The study was done from managers' point of view and this can also be seen as a limitation. By having e.g. stakeholders' or staffs' point of view as well, would have completed the research. This might have raised up issues the managers have not thought of.

A limitation can also be the fact that only one case was studied. If the results could be extended to wider context, the case fulfils the requirements of generalizability (Eriksson & Kovalainen 2008, 293). This means there should be similarities found through which interconnections are made. The research was focusing on one unique case. Thus, the focus was not to provide generalization. It was a conscious choice to narrow the research into one case in order to carry out the research in reasonable time. By concentrating on several cases, you could get better understanding of the entity. It would also help to identify what kind of effect does bank's size and structure have.

Subjectivity and the researchers personal experience on the case bank can be seen as a limitation for the research. However, subjectivity can assist and steer the understanding of the case. In the research, it helped to understand the entity better and assisted with the interpretation. It is also part of case study methodology as long as the researcher is aware of it and monitors it.

5.5 Reliability and validity

A research can be evaluated through reliability, validity and generalizability. Generalizability assesses whether the research can be used in a wider context. Generalizability also evaluates how well the selection of the case was argued and justified. The focus of an intensive case study is not to produce research, which can be generalized into a wider context. (Eriksson ja Kovalainen 2008, 121, 293) Thus the research focus altogether was more on uniqueness of the case. The research goal was not to provide rigorous and general information. The main focus was more on the case itself. Of course, there are some features, which can be generalized, but the main emphasis was not on that.

There were some specific criteria for intensive case study as well and these were described in the Chapter 3.4. The research case was studied in its own environment and context. This is important in order to understand the case as a whole. The research quality is good as the topic is current and interesting to the whole banking

sector. It proves that creating shared value can be used to some extent in a smaller scale. The case and its context were well defined. The research was continued until the results were convincing. In the end, the case study aims at a story worth telling. This is left to the reader to decide.

The study was decided to be evaluated through credibility, transferability, dependability and confirmability, which were explained earlier in the Chapter 3.4. As the research is an intensive case study in which interpretation has a huge role, the research cannot be replicated as such. The research context and the methodology are described in detail. Due to this, the research could be replicated to that point, but interpretation is used in the results. Credibility also evaluates the sufficiency of the data. In the research, it was noticed that the secondary data was not enough. The primary data was, therefore, collected. Three interviews were done. The interviewer noticed that after three interviews, there were only some new information coming up. Due to this, it was decided that three interviews were enough. In addition, the persons who were interviewed were carefully chosen. Yet, more interviews could have given different perspectives and differences between geographical areas. Transferability searcher similarities to previous studies. These can be found from the research. Yet, there are not many studied done on creating shared value in banking sector, but the research discovered some similarities to these. The research is conducted and written in a logical way. It is documented well and can be traced. Thus, it can be said to be dependent. Interpretations are linked to the results in clear and understandable way, and, therefore, the research can be said to be confirmable.

5.6 Recommendations for future research

The study concentrated on creating shared value in the Finnish banking sector from the management's point of view. It would be interesting to study creating shared value also from other viewpoints. Stakeholders are in the core of creating shared value. It would be interesting to find out how they see this and what kind of ideas they would have. Even narrowing the viewpoint to customers and staff would

provide much more information on the subject. Especially staff, which was not considered in this research at all, would provide interesting perspective. They are anyhow the ones who carry out the strategy in practice. Also, studying the connection of the government and NGOs as part of creating shared value would provide better general view. These were narrowed down completely from this research. They are indirectly involved and they have significant impact on banks.

Another recommendation for future research would be to study more on the impacts of creating shared value. It would be interesting to see how a bank or a company, which utilized creating shared value, has made an impact e.g. to the community where it operates. It would also be interesting to see how a bank has been able to grow through creating shared value and has the profit followed the impact. Thus, studying creating shared value more through numbers and figures. To be able to do this, the researcher would also need to study how stakeholders see the impact.

The third recommendation for the future research is to take wider context. Yet, this would be quite massive research. Studying how different Finnish banks are using creating shared value and which parts of it would suit them the best. This would give perspective on how the size of the bank effects to creating shared value. It would also reveal, if the structure of the bank has an effect. Through this, challenges and opportunities in creating shared value would be more visible. Wider context would also make creating shared value more relevant to different banking levels.

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Appendices

Appendix 1. Questions asked in the interviews.

1. What criteria is used in defining stakeholders?
2. Which are the primary stakeholders?
 - a. How do these vary according to short, medium and long-term?
3. How stakeholders are observed in the strategy?
4. How megatrends are used in strategy?
5. How do you choose which customers to pursue?
 - a. Individuals and companies
6. How do you choose which needs to fulfil?
 - a. Individuals and companies
7. How do you define your value proposition?
8. What kind of issues you consider in credit assessment of SMEs?
9. How is the bank positioned in the markets?
10. How do you take into account customers' changing needs in positioning?
11. How do you form your value chain?
 - a. How do you integrate e-services to it?
12. What kind of role does innovation have in the bank?
 - a. Where do all the ideas come from?
13. How do you study local markets?
14. What do you think of financing clusters?
 - a. How it would fit to your strategy?
15. How do you see supply chain financing?
 - a. How it would fit to your strategy?
16. What kind of issues are seen as global challenges in which bank could participate in solving them?
17. What do you think of customer segment which concentrates on customers who provide social or environmental benefits?
 - a. How could the fit your strategy and positioning?
 - b. What would it require from the bank?
18. How does the bank see impact investing opportunities?
 - a. Which ways to do it would be the best for the bank?